Van lists show top players

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — In the highly competitive van conversion business, some newer, more aggressive companies have displaced older, more established companies at the top.

For an up-to-date check on the hottest current competitors, Automotive News put together lists of the top van conversion pool companies for each of the major manufacturers.

The lists for Chevrolet and Dodge rank companies in order of their volume and, in the case of Dodge, their retail turn rates. For Ford and GMC, the companies are unranked, though Starcraft is the top GMC van converter and Bivouac is the top Ford account.

The lists were compiled from careful cross-checking of converters and auto company sources.

Some of the companies are a surprise, either because they have come a long way in a short time or because they have received little public attention despite prominence in the field.

As the two lists for Dodge indicate, a company's volume level doesn't always predict how fast its vans will sell at retail.

The point is worth important to dealers, interested in fast inventory turnover, and to converters. As in the case of Dodge, the speed with which a company's units sell is a major determinate in how many chassis it will receive in the future.

This gives smaller converters a chance to receive increasing more chassis, as long as they continue to sell well at retail.

Manufacturers do not compare turn rates of converters directly. Rather, they take an average rate for retail turn among their pool companies and compare individual firms against that average.

GMC uses an average of the days' supply of conversions in the field to measure an individual converters' performance.

GMC is coming on very strong in the van conversion market, according to industry sources.

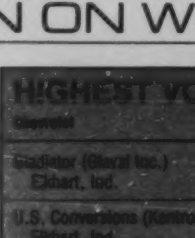
It is no longer a stepchild of Chevrolet, despite having the same chassis products, and it will be getting an increased allocation of chassis from General Motors because of its performance.

HIGHEST VOLUME VAN POOL COMPANY CONVERTERS

Chevrolet	Dodge	Ford	GMC
Gladiator (Glaval Inc.) Elkhart, Ind.	Mark III Inc. Ocala, Fla.	F.M.S. Conversions Laguna, Calif.	Starcraft Corp. Topeka, Ind.
U.S. Conversions (Kentron Inc.) Elkhart, Ind.	Country Sales White Pigeon, Mich.	Aero Vans Inc. Albany	Automatic Glass Inc. Elkhart, Ind.
Gulf Stream Coach Inc. Nappanee, Ind.	Ram Coach (Kentron Inc.) Elkhart, Ind.	B Bauder Sons Co. Bay Shore, N.Y.	Compact Conversions Inc. Lancaster, Pa.
Rockwood Inc. Goshen, Ind.	Six Six Motors Elkhart, Ind.	Ram Boys and Girls Inc. St. Cloud, Fla.	Chevrolet Motor Division Warren, Mich.
Starcraft Corp. Topeka, Ind.	Glaval Van Albuquerque, N.M.	D.M.S. Conversions Bay City, Mich.	Glaval Van Albuquerque, N.M.
Trans Air International Inc. Elkhart, Ind.	High Caliber Vans Mansfield, Texas	Roman Motor Body Corp. Lenoir, N.C.	Glaval Van Albuquerque, N.M.
Choo-Choo Customs Chattanooga, Tenn.	Regency Vans Inc. Arlington, Texas	Advanced Coachwork Bucyrus, Ohio	Regency Vans Inc. Arlington, Texas
Chariot Vans Elkhart, Ind.	Roman Wheels Midwest Inc. Elkhart, Ind.	Ram Boys Vans Inc. Arlington, Texas	Chariot Vans Elkhart, Ind.
The Beasley Group Vans Van Grandview, Texas	Compact Conversions Co. Lancaster, Calif.	Vans Plus Inc. Carrollton, Texas	Compact Conversions Inc. Lancaster, Pa.
Advantage (Rockwood Inc.) Goshen, Ind.	Frank Hamilton Brown City, Mich.	Regency Vans Arlington, Texas	Regency Vans Inc. Arlington, Texas

TraTech adds full-sized van, luxury mini

TRUCKING TRENDS



JOSEPH BOHN

TraTech, celebrating its 10th anniversary next year, is offering an all-new full-sized Centennial van conversion model and a new luxury General Motors minivan.

The company also announced that it appointed Dick Nesbitt product designer, and William L. Maloney president.

Officials noted they have sold more than 40,000 van conversions since startup in 1979 and that the company was Chevrolet's largest bailment pool converter in 1987.

TraTech recently named Jones, Pointer, Winn Inc. as its advertising and public relations firm and is developing an aggressive co-op ad program for its major dealers.

TraTech, based in Fort Worth, Texas, is a subsidiary of Neoax Inc., a large specialty-vehicle manufacturer of stretch limousines, conversion vans and funeral coaches.

Gulf Stream additions

Gulf Stream Coach Inc., Nappanee, Ind., has introduced a companion package for its Monogram Conversions' Monocet model. It is called the Exocet.

The package is priced in the low- to mid-range category but offers a number of extras, such as twin headphone sets for the van's second AM/FM/stereo cassette radio system and a full-width, overhead lighted console with an electronic function monitoring panel and electronic compass.

George Mahalick, Monogram general manager, said the high-tech panels are new to the van conversion market and offer information such as a door being ajar.

The package also includes newly designed luxury seats with contoured thigh and head-support systems, a raised sport-top roof, rear, under-sofa air conditioning and other features.

Kudos to Compliment

Phil Barger, who joined Compliment Vans, Comanche, Iowa, as president last October, said the company received good response to a Euro Vista luxury van with European styling that it introduced at the National Automobile Dealers Association convention in February.

During the past six months, the company has introduced 10 new products, additional product upgrades and several marketing tools for dealers.

The company recently introduced conversions for two- and four-wheel-drive Suburbans, and it plans to introduce a mini version of the Euro Vista and restyled versions of its Buena Vista, Ultra Vista and Vista Silver models.

Compliment, a Neoax company, has been in the conversion business since 1963 and has been dealing exclusively with van conversions since 1973.

It has manufacturing plants in Camanche, Iowa, and Pueblo, Colo., and claims more than 600 car dealers in its national network.

Name change
Southern Coach of Greensboro, N.C., plans to market conversion vans and trucks under the new name of Southern Coach of America to reflect the company's growth. The firm's name change and expansion began with the repurchase of all its outstanding stock by key management last fall. Southern distributes products to 25 states east of the Mississippi River. This Ford conversion is one example.

Recreational Vehicle Wholesale Deliveries

	Apr. 1988	Apr. 1987	% chg.	4 mos. 1988	4 mos. 1987	% chg.
Travel trailers	4,300	4,900	- 12.2	8,200	10,000	- 18.0
Park trailers	800	800	+ 0.0	1,400	1,200	+ 16.7
Travel trailers—fifth wheel	2,700	1,800	+ 50.0	4,900	3,900	+ 25.6
Folding camping trailers	3,500	3,200	+ 9.4	6,900	6,000	+ 15.0
Truck campers	800	700	+ 14.3	1,700	1,800	- 5.6
Towable RV total	12,000	11,300	+ 6.2	23,100	23,000	+ 0.4
Conventional (type A)	2,700	2,200	+ 22.7	5,200	5,100	+ 2.0
Van Campers (type B)	400	600	- 33.3	700	1,100	- 36.4
Compact vans (type C)	2,200	2,300	- 4.3	4,700	4,300	+ 9.3
Motor home total	5,300	5,100	+ 3.9	10,600	10,500	+ 1.0
Van conversions	16,500	14,500	+ 13.8	30,500	28,700	+ 6.3
TOTAL ALL RVs	34,300	31,900	+ 7.5	65,100	63,100	+ 3.2

Wholesale shipments highest since 1977

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

RV wholesale shipments increased 7.52 percent in February, and shipments for the first two months of 1988 were the highest since 1977.

Manufacturers shipped 34,300 units in February, up from 31,900 last year. During January and February, 65,100 were shipped, a 3.17 percent rise over 63,100 in 1987, according to the Recreation Vehicle Industry Association.

The two-month total represents a seasonally adjusted annual rate of more than 440,000 units, the best since 1977, RVIA said.

The Index of Consumer Sentiment, as measured by the University of Michigan's Survey Research Center, stood at 91.6 in February, up slightly from the previous month and substantially ahead of November's 83.1.

RV retail sales also moved ahead in February, particularly for travel trailers and type A motor homes, RVIA said.

Van conversions were a major factor in the industry's upsurge. Manufacturers shipped 16,500 van conversions in February, 13.01 percent more than a year ago.

For January and February, manufacturers shipped 30,500 van conversions, 6.27 percent more than a year earlier.

Van shipments by Detroit manufacturers to converters also increased in February, reversing the previous month's decline and bringing two-month shipments closer to the 1987 level.

The four major domestic manufacturers shipped 17,000 vans with the seat-delete option to converters in February, up 8.28 percent from last year.

For the first two months of this year, manufacturers shipped 29,000 vans with the seat-delete option, 4.29 percent fewer than the 30,300 of like 1987.

For the two-month period, compact-van shipments by Detroit automakers to converters totaled 8,200, up 49.09 percent from 5,500 last year.

Full-sized van shipments by Detroit makers totaled 20,800 units in January and February, off 16.13 percent from 24,800 a year earlier.

MADE IN MEXICO

MEXICAN PLANT OWNERS

Company	Parent	Location	Product	Employees
General Motors				
Alambrados y Circuitos Electricos	Packard Electric	Chihuahua, Chihuahua State	wire harnesses	3,424 (two shifts)
D.R. de Chihuahua	Delco Remy	Chihuahua, Chihuahua	automotive solenoids	657
Alambrados y Circuitos	Packard Electric	Ciudad Cuauhtemoc, Chihuahua State	wire harnesses	800
Alambrados y Circuitos Electricos	Packard Electric	Ciudad Delicias, Chihuahua State	wire harnesses	797 (three shifts)
Cableados de Juarez	Packard Electric	Ciudad Juarez	wire harnesses	1,809 (two shifts)
Central Cableados	Packard Electric	Ciudad Juarez	wire harnesses	n/a
Conductores y Componentes Electricos de Juarez	Packard Electric	Ciudad Juarez	wire harnesses	1,864 (two shifts)
Delmex de Juarez	Delco Products Division	Ciudad Juarez	aerials, ISC motors, electrical components	834 (three shifts)
Rio Bravo Electricos (plant One)	Packard Electric	Ciudad Juarez	wire harnesses	706 (two shifts)
Sistemas Electricos y Conmutadores	Delco Remy	Ciudad Juarez	engine controls, solenoids, turn signals	1,265 (three shifts)
Rio Bravo Electricos (plant two)	Packard Electric	Ciudad Juarez	wire harnesses	1,177 (two shifts)
Rio Bravo Electricos (plant three)	Packard Electric	Ciudad Juarez	wire harnesses	470
Rio Bravo Electricos (plant four)	Packard Electric	Ciudad Juarez	wire harnesses	910 (two shifts)
Rio Bravo Electricos (plant five)	Packard Electric	Ciudad Juarez	wire harnesses	n/a
Vestiduras Fronterizas	Inland Division	Ciudad Juarez	automotive trim, seat covers	950 (two shifts)
Delmex de Juarez	Rochester Products	Ciudad Juarez	n/a	n/a
Alambrados y Circuitos	Packard Electric	Nuevo-Casas Grandes, Chihuahua State	wire harnesses	800
Conductores y Componentes Electricos	Packard Electric	Villa Ahumada, Chihuahua State	wire harnesses	n/a
Componentes Mecanicos de Matamoros	Inland Division	Matamoros, Tamaulipas State	dashboards, steering wheels, brake-hose assemblies	2,163 (three shifts)
Deltronics de Matamoros	Delco Electronics	Matamoros, Tamaulipas	electronic parts	2,479 (two shifts)
Rimir	Fisher-Guide	Matamoros, Tamaulipas	interior and exterior plastic components	1,127 (three shifts)
Alambres Automotrices	Packard Electric	Nuevo Laredo, Tamaulipas State	wire harnesses	452
Delnosa	Delco Electronics	Reynosa, Tamaulipas State	engine controls, electronic dash displays, air conditioners	600 (two shifts)
Marmon Group, Chicago				
American Safety de Mexico	American Safety Equipment Corp.	Ciudad Juarez	seat belts	1,105 (two shifts)
Chrysler Corp.				
Autoelectronica de Juarez	Acustar	Ciudad Juarez	automotive electronics, electro-mechanical parts	700 (two shifts)
Productos Electricos Diversificados	Acustar	Ciudad Juarez	wire harnesses	4,000 (two shifts)
Ensamble de Interiores Automotrices	Acustar	Ciudad Juarez	automotive trim and seat covers	several hundred
Circuitos Mexicanos de Nogales	Coleman Products	Nogales, Sonora	automotive wiring	450 (two shifts)
Essex Group				
Essex International de Mexico	Automotive Products Division	Chihuahua, Chihuahua State	wire harnesses	920 (two shifts)
Essex International de Mexico (plant two)	Automotive Products Division	Chihuahua, Chihuahua State	wire harnesses	500 (two shifts)
Essex International de Chihuahua	Essex International Group	Ciudad Juarez	wire harnesses	780 (two shifts)
Essex International de Chihuahua (plant two)	Essex International Group	Ciudad Juarez	wire harnesses	1,350 (two shifts)
Essex International de Chihuahua (plant three)	Essex International Group	Ciudad Juarez	wire harnesses	500 (two shifts)
Ford Motor Co.				
Alta Tecnologia de Chihuahua	Ford	Chihuahua, Chihuahua State	automotive electronics, radios	3,000 in both plants
Alta Tecnologia de Chihuahua (plant two)	Ford	Chihuahua, Chihuahua State	automotive electronics and radios	
Autovesta	Ford	Ciudad Juarez	seat covers	n/a
Coclisa	Climate Control Division	Ciudad Juarez	air conditioners	326 (two shifts)
Favesa	Ford	Ciudad Juarez	automotive trim, seat covers	907 (two shifts)
Favesa (plant two)	Ford	Ciudad Juarez	automotive trim, seat covers	805 (two shifts)
Favesa (plant three)	Ford	Ciudad Juarez	automotive trim, seat covers	1,486 (two shifts)
Coclisa	Ford	Ciudad Juarez	heaters, air conditioners, radiators	196
Favesa (plant four)	Ford	Ciudad Juarez	automotive trim, seat covers	n/a
Lamosa	Ford	Nuevo Laredo, Tamaulipas State	catalytic converters, stabilizer bars, coils, wheels	240
American Yazaki Corp.				
Autopartes y Arneses de Mexico	American Yazaki	Ciudad Juarez	wire harnesses	1,116
Autopartes y Arneses de Mexico	American Yazaki	Nueva Casas Grandes, Chihuahua State	wire harnesses	1,100

SOURCE: Mexico Communications, El Paso, Texas

Dodson: "Elamex doesn't run sweat shops." STEPHEN DOWNER

MEXICO

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ported; they cannot be sold in Mexico.

The simple reason for the booming cross-border trade is money.

Labor costs in the United States are $12 per hour on average and factory operating costs are $24 an hour, according to Chuck Dodson, chairman of Elamex, which has offered contract assembly services in Ciudad Juarez for 15 years. In Mexico, he said, labor costs are $1 an hour and operating costs are $6.28.

"With one operator in Mexico doing assembly work, you save $43,000 per year," he said. "With 100 workers, your savings are $4.3 million."

The added attraction for the U.S. companies is that, under the provisions of U.S. Customs Codes 806 and 807, there is no U.S. import duty on the portion of the finished product that originated in the United States.

But the main attractions of in-bond remain: low operating costs, totally non-union labor and the fact that foreign investors are allowed to own 100 percent of an enterprise. Businesses other than in-bond must by law be 51 percent in Mexican hands.

GM, Ford and Chrysler are important players in fact as they are in the manufacture of cars in Mexico for sale in the United States.

The trade in built-up vehicle imports from Mexico has leapt from 13,650 worth $69 million in 1985 to 126,300 worth $1.18 billion last year, according to U.S. Commerce Department figures.

The automakers and companies like Essex International already have about 42 so-called in-bond plants operating south of the 2,000-mile-long U.S.-Mexico border.

The auto plants employ about 42,000 persons. About 300,000 persons work in Mexico's 1,200 in-bond plants.

The number is likely to increase. But the auto companies are loath to discuss their plans. Their reticence apparently springs from the U.S. unions' growing disenchantment with the policy of moving more and more assembly to Mexico.

"Runaway shops that once padlocked their doors in the industrial Midwest and Northeast and reopened in the Sunbelt, seeking low wages and no unions, today are shutting down across America and moving to Taiwan, Singapore, Mexico and elsewhere," UAW President Owen Bieber said in 1986.

In a recent case, workers at Chrysler Motors' Acustar Detroit trim plant, which Chrysler said it plans to close, said they believe a large percentage of their plant's work is headed to a Chrysler plant in Mexico.

The union has pushed for legislation which, it says, must prevent corporations from exploiting low-wage workers in Mexico and elsewhere at the expense of American jobs. The UAW's magazine, "Solidarity," has featured articles on the struggle of Mexican autoworkers, who are paid $30 for a 44-hour week.

The UAW maintains it is economically unhealthy in the long run for the automakers to move their capital to countries where workers cannot afford to buy the products they manufacture.

In-bond industry supporters, like Donald Michie of the University of Texas at El Paso, said the unions' fears are unwarranted. Nevertheless, Automotive News' interest in looking inside several auto plants in Ciudad Juarez, which lies across the Rio Grande from El Paso, Texas, was referred to head offices in the United States. In every case, cooperation was denied.

GM de Mexico mentions its maquiladoras in a new public relations video, yet has failed to respond to written and oral requests for details.

Michie: Without the in-bond program, it would be difficult for American industry to offer poducts at a price comparable to those offered by foreign competitors.

According to figures compiled by the Bermudez industrial development group in Ciudad Juarez, the city had 185 in-bond plants in June 1987, an eighth of them assembling for the auto industry. They employed 96,405 people. That was 33.2 percent of the 290,743 in-bond employees in the whole of Mexico at the time.

Tijuana, in the state of Baja California Norte, close to San Diego, was the second largest employer. Its 35,762 workers (in 281 plants) represented 12.3 percent of the total.

Of the 240 plants in Ciudad Juarez today, according to the Bermudez group, about 25 assemble auto parts and components. GM-related companies have 12, Ford seven and Chrysler (Acustar) two. In addition, another five plants or so assemble products, mainly wire harnesses, for GM companies.

The statistics on the auto companies' in-bond presence in Mexico come from the 1987 Directory of In-bond Plants (Maquiladoras) in Mexico, published by Mexico Communications of El Paso, Texas, and sold for $115.

According to Wayne McClintock, Mexico Communications' chief executive, the maquiladora industry

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Free-trade pact eyed for Mexico

WASHINGTON — Reagan administration officials who pushed hard for a free-trade agreement with Canada are also interested in similar negotiations with the government of Mexico.

"Within the administration, there is support for expanding the free-trade agreement to all of North America," said an auto industry source who helped negotiate the U.S.-Canada pact. "There is also the realization bilateral talks with Mexico would be more controversial than the talks with Canada."

U.S. Trade Representative Clayton Yeutter recently told the Senate Finance Committee that serious free-trade negotiations with Mexico will not be undertaken this year because his office does not want to "tie the hands" of the next administration, and because his staff already has its hands full. Yeutter did express general support, however, for a free-trade agreement with Mexico at some future time.

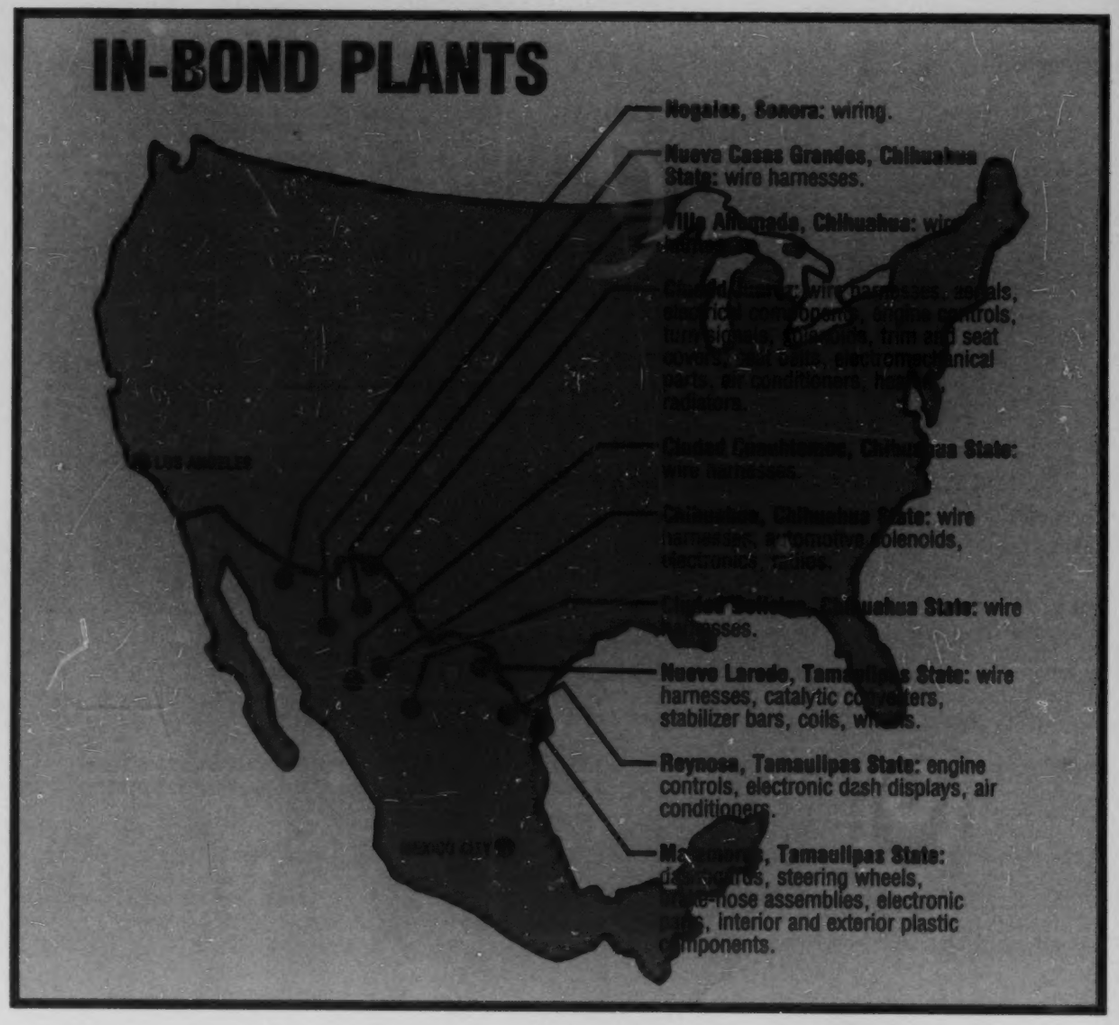
The U.S. auto industry is paying close attention to those remarks, according to trade lawyers for vehicle manufacturers.

"We have increased our investments in Mexico, but we have done so under Mexico's existing trade and financial controls," one car company official in Washington said. He added, "Lifting restrictions would be of some benefit to us, but there is concern that this would be of more benefit to new investors. It is a situation not unlike that we faced in the Canadian negotiations."

The industry representative who helped negotiate the U.S.-Canadian agreement said, "Mexico has taken several important steps in recent years that signal a different approach to international trade.

"For instance, Mexico has joined GATT (General Agreement on Tariffs and Trade). There is a movement toward more openness. I believe there is an element of fear in Mexico that excessive controls are causing Mexico to loose out on foreign investment."

— Geoff Sundstrom


IN-BOND PLANTS
Nogales, Sonora: wiring.
Nuevo Casas Grandes, Chihuahua State: wire harnesses.
Ciudad Juarez: wire harnesses, aerials, electrical components, engine controls, turn signals, solenoids, trim and seat covers, air coils, electromechanical parts, air conditioners, heaters, radiators.
Ciudad Chihuahua State: wire harnesses.
Chihuahua State: wire harnesses, automotive solenoids, electronics, radios.
State: wire harnesses.
Nuevo Laredo, Tamaulipas State: wire harnesses, catalytic converters, stabilizer bars, coils, wheels.
Reynosa, Tamaulipas State: engine controls, electronic dash displays, air conditioners.
Tamaulipas State: steering wheels, front-nose assemblies, electronic parts, interior and exterior plastic components.

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in Mexico is growing by 25 percent a year.

"By the end of this year, there will be more than 1,500 of these plants," he said. "The Mexican government intends having one million-plus in-bond workers by the end of the century."

The Bermudez group, on the other hand, predicts growth of between 11 and 16 percent a year for the next five years. "The crystal ball muddies up after that," said William L. Mitchell, the Bermudez group's marketing vice president.

American industry guru Peter Drucker is on record as saying that 10 million U.S. jobs will go offshore by the turn of the century. Mexico, which would like to attract five million of those, is realistic and has set a goal of one million-plus, according to McClintock.

"I bet you that within five years, the automotive industry's in-bond plants in Mexico will be highly automated where the highest wage is paid," he said.

GM was the first major automaker to join the maquiladora program. In 1978, its Packard Electric Division established Conductores y Componentes Electricos de Juarez in Ciudad Juarez to make wire harnesses. That same year, GM's Inland Division founded Vestiduras Fronterizas in the city. About 1,000 employees produce about six million seat covers and interior trim items a year for such vehicles as the Camaro.

Since 1978, GM's Delco Products, Delco Remy, Delco Electronics, Fisher-Guide, Rochester Products and Packard Electric divisions have set up two dozen more in-bond plants in Mexico.

Wire harnesses, solenoids, car radio aerials, engine controls, dashboards, steering wheels and interior and exterior plastic automotive components are part of the GM product lines at the plants.

Ciudad Juarez is attractive to investors who have joined the in-bond program. It has three bridges that link it to the United States. Shipping delays are thus kept to a minimum.

El Paso is considered by many to be the best jumping-off point from the Mexican border to the rest of the United States. The Bermudez group said that products assembled in Ciudad Juarez are transported by road and air to 1,200 U.S. towns and cities in 49 states.

Elamex's Dodson, whose company is understood to do assembly work for Packard Electric (although he was tight-lipped when asked about it), said that such a saving does not necessarily represent profit. "It may simply help a company reduce a product's selling price and remain competitive," he said.

Elamex employs some 2,600 people in nine plants, eight in Ciudad Juarez and one in Guadalajara, Mexico's second city. Dodson

McClintock: "The Mexican government intends having one million-plus in-bond workers by the end of the century."

and his fellow executives are planning to build four more plants, three in Ciudad Juarez and one in Nuevo Laredo.

"Five years from now, I expect to have 5,000 people working for us," he said.

"In our opinion, it took too long for GM to react to this (in-bond) program," said Cesar Alarcon, director of the Maquiladora Association in Ciudad Juarez. "We had been working on them since 1973 or 1974. They didn't make up their minds until 1978. But since then, they have grown quickly."

Alarcon said that the 240 in-bond plants in Ciudad Juarez spent $570 million on wages and operating costs last year, $82 million more than in 1986 and $255 million more than in 1983.

In-bond workers earn the minimum wage, 8,000 pesos ($3.47) for an eight-hour day, which works out at 1,000 pesos (43 cents) per hour. But with fringe benefits the average worker's wage is worth 70 cents an hour or more, Alarcon said.

He said that the national minimum wage is set by the federal government after consultations with the private sector.

"We recognize that the minimum wage is not enough to feed the average family well," he said. "But it is better to have these (in-bond) jobs than to have nothing. The unemployment situation in Mexico is bad."

Ten years ago, he said, Ciudad Juarez's population was about 500,000. Since then, the factories have attracted that many again from other states of the republic.

"We have had a lot of immigration from (northern) states like Coahuila, Zacatecas and Durango," said Alarcon. "Now they are starting to come in from (southern) states like Chiapas and Oaxaca, as well as from Mexico City."

According to Alarcon, the U.S. government's crackdown on illegal immigration into the United States in the past year has benefited the Mexican in-bond industry.

"If workers had the choice, we would be struggling to find people to work in the maquiladoras," he said.

Working conditions at the plants, in Ciudad Juarez at least, appear to be good. This reporter entered one Elamex plant, which manufactures circuit boards, and found it clean, bright and cool.

"Elamex doesn't run sweat shops," said Dodson, a Harvard Business School graduate. "Working conditions are excellent. Our plants are well lit and air-conditioned. Why? Not because it makes you feel good but because, when you have a good environment, people work well.

"We try to introduce the newest technology available. We have automatic assembly operations. This is not a backward nation. It is very progressive."

He added, "Reporters ask me sometimes if I am still exploiting Mexican workers. As far as I know, all the maquiladoras pay more than the minimum wage."

Alarcon: "We recognize that the minimum wage is not enough to feed the average family well. But it is better to have these (in-bond) jobs than to have nothing. The unemployment situation in Mexico is bad."

Michie, who is director of the Institute for Manufacturing and Materials Management at the University of Texas at El Paso, said, "There is no exploitation of the Mexican worker in the maquiladora industry. You don't find a better wage/benefit package within the Mexican economy and yet by American standards the wage rate is low. You can't impose American standards on Mexico."

They provide about 40 percent of the jobs in the city, where unemployment is nil, he said, compared with the national unemployment rate of 14 percent.

Ciudad Juarez's mayor, Jaime Bermudez Cuaron, a leading figure in the in-bond industry's development, said, "The average maquiladora worker's income is almost twice the minimum wage in Mexico."

Dodson said that Elamex workers put in a 10-hour day, five days a week. Production starts at 6.30 a.m. and finishes at 4.30 p.m. Workers get a 30-minute lunch break and two coffee breaks of 15 minutes each. "There is an 80 percent subsidy on the lunch we sell at our factories," he said.

According to Alarcon, it can take a company as little as four weeks to establish an in-bond plant in Ciudad Juarez, compared with a year a decade ago. "There is very little red tape," he said.

A plant built to a company's specifications will take six to eight months to construct," he said.

"Mexico ought to be far more important (as an in-bond center) than Korea or Tai-

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MEXICO

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wan," Dodson said, "First of all, because of its proximity to the United States and second, because it has a large labor force. The labor force is very trainable, very intelligent, very good. I have no reservations about it."

The Bermudez group is the largest of about six industrial developers in Ciudad Juarez and employs between 400 and 500 people.

According to group president Sergio Bermudez, the mayor's son, the group sells industrial real estate, builds plants and contracts manufacturers. It has developed four industrial parks in Ciudad Juarez.

The group's founder, Mayor Bermudez Cuaron, is considered by many to be the "godfather" of the Mexican in-bond industry. Adolfo Lopez Mateos, Mexico's president from 1958 to 1964, named Bermudez Cuaron's uncle, Antonio J. Bermudez, a former director of state oil monopoly Pemex, to head a program aimed at improving the Mexican border towns' appearance in the early 1960s.

"A lot of work was done to improve the town's appearance," said Bermudez Cuaron, who was elected mayor in 1986. "But then a group of us started talking about their economic development."

The Boston-based company Arthur D. Little was commissioned to conduct a study on the industrial possibilities of Ciudad Juarez. The company's report was published in about 1963.

However, after Antonio J. Bermudez left the border program, government interest in it began to wane, according to the mayor.

"So the same group of businessmen tried to get people to invest. It was hard. I had a supermarket chain, which I sold to concentrate on getting investors to come to Ciudad Juarez and to set up in-bond plants."

Elamex, subsequently sold, was one of them.

RCA was the first big company to support the program. It opened a plant in Ciudad Juarez, employing several hundred, in 1968. Between 1969 and 1986, the average annual output growth of the Mexican in-bond industry was 29 percent, according to the Bermudez group's research manager, Lucinda Vargas. In the same period the overall Mexican manufacturing sector's output grew 5.8 percent on average annually.

The Bermudez group said that the in-bond industry's exports have increased at an average annual rate of 37 percent in the last 20 years.

Sergio Bermudez said, "In this group, we get an average of about 15 companies a week inquiring about investment possibilities. Most are from the United States, but we are beginning to see interest from Europe and Japan."

The Bermudez group, he said, works closely with technical schools and universities both in Mexico and the United States to try to ensure a supply of trained personnel.

"The (main) problem in Mexico is (a lack of) education," he said.

McClintock of Mexico Communications agreed: "They are not able to produce enough technicians in Mexico at this point. That's one of the reasons for the high turnover within the industry."

He said that the plants' turnover is about 8 percent a month. "This is why companies are going into the interior, following the source of labor."

However, 90 percent of Mexico's maquiladoras are still close to the border, although in the Antonio J. Bermudez industrial park in Ciudad Juarez, a number of plants had "vacancy" signs outside their doors.

Another of Sergio Bermudez's concerns is the small Mexican contribution toward the input used by the maquiladoras. He said that the input is currently worth $7 billion a year, of which Mexico contributes less than 2 percent.

The problem is an old one, he said. "For many years there was no competition because Mexico was a protected market. People charged whatever they wanted, with the quality and delivery times they wanted. That's changing now."

The main reason for the change is the Mexican government's decision to take the country into the General Agreement on Tariffs and Trade in 1986 after years of procrastination.

Said Mayor Bermudez Cuaron, "Mexico could overtake Taiwan, Korea and Singapore (as an in-bond plant base). They are ahead of us. They have higher technology than we do. But we have a lot of possibilities."

Alarcon said, "I feel very optimistic about the maquiladora program, provided the Mexican government improves the infrastructure. By this I mean housing, communications, city transportation. They are deficient.

"There is a great lack of housing (in Ciudad Juarez). Telephones, telefax and microwaves are inefficient. It takes too long to contract these services. In some cases, it takes up to a year to get a telephone. It appears that the authorities were not prepared for this rapid growth and, given the present economic conditions, it is hard to find the money to meet the great demand."

Mayor Bermudez Cuaron said, "We are very much aware of the need to improve our infrastructure. We need to improve our street system and transportation. We need a tremendous amount of housing. We are trying very hard."

He added, "I have always been a firm believer in the in-bond industry and more so right now. We have a number of people who have worked in this industry for years and they have learned a lot."

According to Michie, who has studied the in-bond industry for 10 years, the in-bond program has become "critical to the United States."

He added, "It is a strategy that enables American industry to achieve price competitiveness in the U.S. economy.

"Without the in-bond program, American industry would have found it difficult to offer products at a price comparable to those offered by foreign competitors selling in the United States.

"It is not a short-term business strategy on the part of American industry. I think you will see it continue to expand at a fast rate. Companies will expand and new companies will come in. They will be from the United States and other countries. Finland is here, so are the Scandinavian countries. All the EEC countries are likely to find this industry attractive."

Michie said in an interview on the university campus that U.S. companies lost market share because their prices were higher than those of their competitors.

"Both management and labor have to assume the blame for the higher cost structure," he said, "and what we have seen in the last few years is several trends: Where labor costs for various production processes are not competitive with the rest of the world, these have been shipped offshore.

"On the management side, we have seen tremendous cutbacks in administrative costs. So one of the strengths of American industry today, relative to a few years ago, is that American industries are much leaner and aner and have become very competitive in the global market."

But he said that American labor, rather than understanding the economic process, has sought to insulate itself from the realities of what is going on in the world labor market.

"We see American labor not presenting objective information concerning its situation but primarily emotional claims and appeals in response to the situation," he said.

"Rather than recognize that certain jobs and job categories are declining, due to economic circumstance, American labor has attempted to retain certain positions, resulting in that work being shifted elsewhere.

"It is hard to justify a situation where labor costs are one-sixth of what they are in the United States and expect industry not to seek that cheaper rate, when wages represent a significant portion of the product's price."

see MEXICO, page 26

UAW SOLIDARITY PHOTOS

Clockwise, from top: Workers at a GM plant in Ciudad Juarez leave at the end of their shift; basic tire rims are finished and polished before being sent to the United States; breaking up an auto pump mold

MEXICO

FROM PAGE 24

He said that labor has an obligation to retrain in areas where employment is available.

"A few years ago, in looking for a secretary, I would have sought a competent typist," he said. "Today, that skill is way down the list."

Michie said that the number of jobs created in the United States in industries that supply the maquiladoras is on the increase.

"Last year, the border economy in Texas showed growth while the rest of the Texas economy has been in recession," he added.

"This (in-bond) industry has been a primary stimulus for economic development in El Paso, but we have not integrated this industry into our community's economic development to the degree that we should have."

He explained, "What we have not seen is the development of more basic infrastructure within our economy, such as tool and die facilities, metal stamping, plastic injection molding, the kinds of basic infrastructure that would support the diversification of our economy.

"The demand for these services has existed in this area since the mid-1970s but El Paso has not recognized that the demand is there and has not responded to building" (what is needed).

Michie said that the only explanation he can provide is that the businesses on the El Paso side of the border are small. "They don't have the technical expertise or the capital to get involved in this. They don't understand tool and die."

STEPHEN DOWNER

Bermudez Cuaron — considered by many to be the "godfather" of the Mexican in-bond industry: "The average maquiladora worker's income is almost twice the minimum wage in Mexico."

As a result, he said, El Paso's business people are restricting themselves to a service role: "trucking, for example, industrial warehouse space.

"We have 27 million square feet of industrial warehouse space in El Paso, most of which is leased or owned by the maquiladora industries," he said. "Transportation charges made by El Paso companies to the maquiladoras totaled $70 million last year. In less than five years, we have gone from four airfreight carriers to 12.

"We have one transportation company that last year bought 65 tractors, at a cost of more than $60,000 each. We now have sprint trains from here to Kansas City."

The in-bond industry, he said, is uniting U.S. border communities. "Trade was always north-south or south-north," he said. "Now there is east-west trade. In a study conducted last year, 30 percent of the maquiladora shipments were found to travel east-west or west-east along the border. This is stimulating the border regional economy. The boom is on now."

Said the Bermudez group's Vargas, "El Paso, which traditionally has been a very economically depressed border city, like most of them, is now a bright spot in the Texas economy."

According to studies, she said, 35,766 jobs were created in El Paso between 1977 and 1985 and approximately one job in five was a result of the in-bond industry in Ciudad Juarez.

Mitchell of the Bermudez group said, "The auto industry in the United States is restructuring to meet the competition. The Japanese auto industry is restructuring to meet the competition. The German auto industry is doing the same. All over the world they are doing it.

"Basically what they are doing is sharing production and reducing the cost by going to countries where labor costs less. They are bringing in more and more products (to Mexico).

"They started out with wire harnesses. Now you are into electrical parts, windshields, anti-pollution devices, radiators, air conditioners.

"The Mexican in-bond industry is going to grow as a result. More and more the Japanese are going to be shifting a lot of their production sharing to Mexico because of its proximity to the United States."

Automotive News Staff Reporter Louise Kertesz in Detroit contributed to this story.

LEGAL BRIEFS

Annual emissions tests expected in Twin Cities area

MINNEAPOLIS — A bill requiring annual emission testing of most motor vehicles registered in the seven-county Twin Cities area was awaiting the signature of Gov. Rudy Perpich last week.

State Rep. Darby Nelson, sponsor of the bill, said the goal of the new measure is to reduce carbon monoxide levels about 25 percent. It has been estimated that 85 percent of the carbon monoxide in the Twin Cities area comes from motor vehicles.

Beginning in 1991, owners of most cars, pickup trucks and vans in the metro area — some 1.5 million of them — will be required to have their vehicles tested annually. A fee of no more than $10 can be charged and will be used to finance the inspection program.

The testing will be done at public inspection stations operated by a private company or businesses under contract with the state.

If the vehicle fails the emissions test, the owner will have to correct the problem or he may be eligible for a one-year waiver. If the repair exceeds $75 for pre-1981 models or $200 for later models, the owner can request the one-year waiver.

All buses, trucks (other than pickups and vans), motorcycles and mopeds will be exempt from the annual inspection. The bill also exempts pre-1976 cars, pickups and vans.

Volvo drops lawsuit on non-OEM crash parts

WASHINGTON — Volvo North America Corp. has dropped a lawsuit over the sale of generic parts by Keystone Automotive Industries Inc. The move could spell trouble for automakers' efforts to limit the use of non-original-equipment crash parts.

Volvo brought the suit against California-based Keystone 16 months ago, alleging patent infringement. The suit sought to end the sale of replacement Volvo fenders to independent garages and body shops. It was brought in the U.S. District Court for the Central District of California.

Charles Hogarty, president of Keystone, called Volvo's action "a stunning victory for aftermarket competition."

"Keystone and its distributors are free to continue to sell competitive fenders made by other firms for installation on Volvo automobiles," Hogarty said.

However, the terms of the dismissal require Keystone to explain in its commercial literature that its parts may not meet Volvo standards.

A spokesman for Volvo Cars of North America said, "Volvo believes that consumers have the right to know whether genuine or non-genuine parts are being used in the repair of their cars.

"With genuine Volvo parts, we are sure consumers will enjoy the same fit, finish, strength and corrosion resistance as when their car was purchased. Other fenders may not be made to these standards, although they may appear similar in shape."

He added, "Volvo made the decision to discontinue litigation in this case for good business reasons. This particular patent for the design of front fenders on the Volvo 240 was mature and had only about two years left to run. The expense of further litigation could not be justified by the money damages we could win in court."

Foreign and domestic vehicle manufacturers have been attacking the use of non-OEM body parts for years, most recently in a series of print advertisements.

The insurance industry apparently was pleased by Volvo's decision to drop the case. Insurers had raised money to help with Keystone's legal defense.

— Geoff Sundstrom

California suit says Toyota had secret Camry warranty

A class-action lawsuit has been filed in California targeting Toyota's alleged secret warranty to eliminate brake pulsation in 1983-1986 Camry models.

The suit, filed in Los Angeles Superior Court by the Center for Law in the Public Interest, cites warranty service bulletins that have been sent to Toyota dealers.

The Washington-based Center for Auto Safety, which has received 1,000 consumer complaints, has asked the Federal Trade Commission to cite Toyota for an unfair trade practice. The practice allows the auto company to fix the brakes for those persons complaining but fails to inform all 400,000 owners, whose cars may or may not have the problem, the center said.

Brake pulsation, according to the suit, occurs while braking at moderate speed, and it causes steering-wheel vibration and threatens loss of control. Associated damage is "grossly uneven deterioration of tires and weakening of the automobile's lower control arms," the suit says.

The center cited repair costs ranging from $790 to $1,380 per vehicle excluding tire replacement and weakening of lower control arms.

The suit charges breach of expressed and implied warranties, unlawful competition, false and misleading advertising, fraud, deceit and breach of the obligation of good faith and fair dealing, all in violation of California law.

The effect of Toyota's failure to inform all owners potentially affected, the suit says, is that present and future owners of 1983-86 Camrys have or will suffer unnecessary repair costs, excess tire wear and depreciated resale value.

In addition to asking for recall and correction of the problem, the suit seeks compensatory, consequential and exemplary damages in unspecified amounts.

A Toyota spokeswoman said the company does not have secret warranties on any of its vehicles or parts. While acknowledging the pulsating action, she said it is not safety-related and not exclusive to Toyota models. Toyota had no comment on the pending litigation.

Named plaintiff is Kathleen Fjermedal, owner of a 1985 Camry and a resident of Santa Monica, Calif., on her own behalf and all other similarly situated Camry owners.

— Helen Kahn

Minn. pollution agency drops plans to prosecute 4 dealers

DULUTH, Minn. — Four auto dealers here will not be prosecuted by the Minnesota Pollution Control Agency for selling used cars on which the anti-pollution equipment had been tampered or removed. The action is a result of a change in the state's law.

The former law had stipulated that "no person shall rent, lease, offer for sale, or in any other manner transfer ownership of a motor vehicle unless all air pollution control systems are in place and in operating condition."

Auto dealer interests had proposed that the phrase "offer for sale" be removed from the restriction clause. An earlier statement in the law also requires that "no person shall remove, alter, or otherwise render nonoperative any air pollution control system." That requirement remains.

In April 1986, operating under the "not offer for sale" requirement, the state pollution control agency had checked 84 used cars offered for sale at four Duluth dealerships — Skyline Motors Inc., Metro-Chrysler-Plymouth Inc., Plaza Dodge Inc. and Odberg & Ryan Lincoln-Mercury.

Of the 84 used cars checked on those lots, the agency said it found 25 percent of them had been tampered with. Violations of the state provision are punishable by a minimum fine of $700 per car.

Although the alleged tampering had probably been done by previous owners, the agency held that the dealers were responsible for the cars they buy or take in trade.

Negotiations were conducted in an attempt to set an appropriate penalty for the violations. When those meetings broke down, the pollution control agency announced in late January 1988 that it would bring the dealers into court for refusing to pay penalties.

But before that process could begin, the legislative change was introduced at the state capitol, and the state agency decided to hold off to see the outcome of it.

At least one of the dealers had said that his organization would lose business if the state enforced the existing law. James Manderfeld, president of Metro-Chrysler-Plymouth said, "If we offer an individual less for his car, because of tampering, he'll just sell it through the newspaper or in (nearby) Wisconsin where the laws are different. This enforcement penalty needs to be extended to also cover private owners."

The state agency does not have the staff or authority to prosecute private parties, according to Robert Beresford of the agency's regional office in Duluth.

The most common violation was said to be enlarged filler inlets added to gas tanks, which allow leaded gasoline to be pumped into vehicles designed for unleaded gas. That can damage the catalytic converter.

Statewide, some 1,200 vehicles had been similarly inspected at 55 car dealerships and 308 of them had been found to have been tampered with.

When both houses of the state legislature made the change in the law and it was sent to the governor for signing, the state pollution control agency pondered whether to ask him to exercise his veto on it.

However, according to Beresford, it was decided that since the measure had passed both houses with a substantial majority, it might be inappropriate to press for a veto.

Beresford said the state agency will still monitor used cars for sale by dealers "but now it will take two inspections instead of one. Now, we will identify cars for sale that have been tampered with and, later, we will check to see if they have been sold and then check them at their new location for the final evidence of the tampering."

But, he added, "Since the law has now been changed, we will not proceed with our earlier plan of prosecution in these cases."

INTERVIEW

Nissan's goal: No. 1 import

John Borgen, Nissan fleet director, wants top fleet import spot

By Francis J. Gawronski

After being dormant in the fleet business for several years, Nissan Motor Corp. in U.S.A. is cranking up for an aggressive campaign.

The comeback by the Carson, Calif.-based importer will commence in the 1989 model year.

The ambitious goal: to make Nissan the No. 1 import nameplate in the fleet business.

Nissan virtually abandoned the leasing market as a result of Japan's voluntary restraint agreement (VRA) which, beginning in 1981, established quotas on numbers of cars Japanese automakers could export to the U.S.

With annual sales limited by the VRA, at a time when American motorists hungered for Japanese vehicles, Nissan decided to concentrate on the retail market and let the commercial chips fall where they may.

Unfortunately for Nissan, it didn't rake in too many of those chips.

Observes John B. Borgen, Nissan's director of fleet and leasing operations: "We were in that kind of position for several years. You could argue whether it was the wise direction to go, but it's the direction we took."

Now times have changed, and so have Nissan's feelings about fleet sales. The low-growth U.S. retail market has become hotly competitive with the arrival of low-cost entries from Korea and Eastern Europe, while the leasing and rental business has boomed.

And Nissan wants its share. The company is setting its sights on 50,000 fleet sales in the 1989 model year, a number Borgen calls "a base minimum."

He explains: "The market out there is huge. If the industry has a 10-million car year, probably 2.5 million will be fleet sales. Nissan gets about 5 percent penetration of the retail market. If we were to penetrate the fleet market to the same degree, we'd be talking 125,000 fleet sales. Our target of 50,000 is far below that. But we have to start somewhere."

Nissan's top fleet model is the compact Sentra, followed by the more luxurious Stanza.

Although the company will introduce a completely new Maxima in 1989, Borgen says he is still uncertain of the upscale model's role in the fleet market: "It probably has some application in daily rental, but it's in a market segment that isn't too heavily populated in the leasing business. However, it will be a popular car for individual leases."

According to Borgen, Nissan expects to attract fleet business because of its nationwide distribution system: "We're unique among Japanese automakers in that we have a nationwide distribution system with no distributors. It's totally factory. We've already established a nationwide courtesy delivery system, which is very important to leasing companies. They have to have the ability to sell a vehicle anywhere in the United States and get the unit delivered anywhere in the United States. We have established that system."

Nissan has 11 regional offices in the U.S. and more than 1,100 dealers nationwide.

Toyota, Honda and Nissan are the three top-selling Japanese nameplates in the United States. Among them, Toyota is tops in fleet sales.

In sizing up the trio's future in commercial markets, Borgen says, "Honda seems to show no particular interest in the fleet business *per se*. So it's between Toyota and Nissan. Toyota has been a leader in the industry in both retail and fleet for a long time, and it's our objective to become the leader."

He adds: "To be No. 1 is our stated objective in the retail market, and it's our objective in the fleet market, as well. We're not there by a long shot now, but we're going to get there. We're sort of starting from scratch — putting our organization together, trying to reestablish old contacts, trying to get current in today's fleet market and build up a new head of steam."

As part of its strategy, Nissan has developed a basic leasing program for fleet administrators, and plans to reveal it at this week's annual NAFA Conference. Borgen describes the program as "very competitive."

While Nissan's big move into the fleet market gets rolling in '89, the company has not been standing by idly in 1988. It has a small daily-rental program under way.

"We got active on our major program about nine months ago, but it was kind of late for the 1988 model year," Borgen says. "So we zeroed in on daily rental sales for this year, just trying to get as many sales as we could. We're really putting our full thrust on 1989. We'll have a comprehensive and competitive program. We'll be strong in daily rentals and will introduce a vehicle repurchase program for the first time."

Explaining the importance of a rebuy plan, Borgen points out: "In the past, the absence of a repurchase program wasn't much of an obstacle in doing fleet business. But that's changed. If you're going to sell daily rental units in quantity today, you need a repurchase program.

"A minimum of 600,000 to 700,000 units will be sold on repurchase programs in 1988, primarily by the domestic (Big Three) automakers, and the number is increasing all the time. Isuzu, Subaru and Volkswagen have had small (repurchase) programs, but we feel we'll be the first of the major imports to have a really extensive program. Up to now we've tried to sell cars to the daily rentals on an outright sale basis."

Nissan has had a limited buy-back plan in its daily-rental program this year, sort of a test run before its big push in 1989. The company also intends to have a strong program for major leasing companies, is now establishing relationships with leasing operators and is investigating the possibility of developing a special relationship with a major leasing company.

Notes Borgen: "Two large leasing firms have come to us, saying they're interested in establishing a working relationship with a manufacturer. They indicated that, rather than having to take a neutral position on all auto manufacturers when talking to lessees, they'd prefer to be in a posture of heavily marketing a particular maker's product line. Obviously, we want to be in that equation. We want to become one of those special-relationship companies."

Meantime, Borgen is taking note of the increasingly competitive environment in the leasing business, and the rapid growth of companies such as GE Capital through acquisition of major leasing firms and auto auctions.

He observes: "GE Capital has now become a huge, huge company. No-

Owning a car Hertz real bad

Operating expenses rise for the 14th year out of the past 15

With all major vehicle outlays rising, 1987 car ownership and operating expenses climbed for the 14th year out of the past 15. Typical compact models hit a record 51.14 cents a mile, up 5.5 percent or 2.7 cents from 1986's 48.48 cents, according Hertz Corp. annual estimates.

Since 1972, the last year before the first Arab oil embargo, outlays to own and run typical U.S. cars soared 220 percent, dropping 5.2 percent only in 1983. By contrast the nation's overall living costs climbed 171 percent in the 15-year period.

Hertz lists 1987 increases in all auto expense categories: insurance, licenses, taxes, fees, interest, maintenance, repairs, fuel and depreciation (the difference between car purchase price and resale value). Parking and tolls are excluded.

Typical 1987 compact car purchase prices shot up nearly 6.9 percent to $11,155 from 1986's $10,439. Since 1972 typical auto purchase prices have jumped 305 percent.

Purchase price increases can boost depreciation, loan, tax and insurance outlays, the study points out. Sticker price rises are more than operating increases because people are driving smaller cars fewer miles and are keeping them longer.

The 51.14 cents a mile 1987 figure is for a normally equipped compact make, purchased new and to be driven 10,000 miles annually for five years — typical U.S. new car driving.

Table 1 is a breakout of cost elements for compact cars purchased new and driven 10,000 miles a year for five years in 1987 and in 1986.

Auto expenses differ sharply by vehicle size, equipment, annual mileage, ownership duration and where autos are driven, the survey notes.

Subcompact models showed the sharpest 1987 advance, rising 17.7 percent to 47.57 cents a mile from 40.42 cents in 1986. Standard-size cars were up 5.4 percent to 66.37 cents a mile, nearly 40 percent above the subcompact's estimated 47.57 cents cost last year.

Table 2 shows Hertz's recent per-mile cost estimates for different sized cars bought new and driven 10,000 miles annually for five years, and use figures for individual U.S. motorists.

Study figures also demonstrate that keeping cars longer can save motorists money. New 1987 compacts driven 10,000 miles a year but traded annually cost 62.5 cents a mile, while those running 10,000 miles annually for 10 years averaged 39.8 cents a mile, some 22.72 cents under costs for annual trading, saving $22,720 over the car's life-span, Hertz's study shows. Also, used cars cost some 40 percent less than units bought new.

Hertz figures indicate some three-fourths of all auto outlays for typical driving are in so-called "fixed" or "standing" expenses, such as depreciation, interest, insurance, licenses, taxes and fees. These are largely influenced by the car's purchase price and how long the car is driven.

"Variable" or "running" costs — such as gasoline, oil, maintenance, repairs, parts and accessories — comprise the remaining 25 percent of expenses.

Trading or selling a car sooner raises the "fixed" to "variable" cost ratio to about four-fifths of total charges, while keeping a car longer usually lowers it to roughly two-thirds.

The report stresses that variations in annual driving distances also have a material effect on cents-per-mile costs because annual fixed dollar outlays are divided by more, or fewer, miles.

For the five-year driver, a new 1987 compact's costs ranged from 89.43 cents a mile at 5,000 miles a year to 28.08 cents at an annual 20,000 miles of driving — 61.35 cents a mile less.

However, on an annual dollar basis, 5,000 miles a year totals $4,-

Table 1: Compact Car Cost Elements

	1987	1986	Percent Change
Depreciation	0.1774	0.1660	1.069
Insurance, Licenses, Fees	0.1362	0.1328	1.026
Interest (P&L)	0.0774	0.0738	1.035
FIXED SUBTOTAL	0.3909	0.3736	1.046
Maintenance & Repair	0.0464	0.0453	1.024
Gas, Other Service Station Charges	0.0741	0.0659	1.129
VARIABLE SUBTOTAL	0.1205	0.1112	1.084
FIXED & VARIABLE TOTALS	**0.5114**	**0.4848**	**1.055**

SOURCE: Hertz Corp.

Table 2: Per-mile Cost Estimates for Different Sized Cars

Car Size	1987	Percent change 1987-'86	1986	1985	1984	1983	1982	1978	Percent change 1978-'87
Subcompact	0.4757	1.177	0.4042	0.4092	0.3663	0.3463	0.3418	0.2252	+1.11
Compact	0.5114	1.055	0.4848	0.4764	0.4567	0.4328	0.4467	0.2485	+1.06
Midsize	0.5997	1.068	0.5613	0.4715	0.4861	0.4546	0.4902	0.2873	+1.09
Intermediate	0.6107	1.118	0.5464	0.5283	0.5019	0.4956	0.5009	0.2891	+1.11
Standard	0.6637	1.054	0.6298	0.5977	0.6297	0.5542	0.5231	0.3233	+0.948
Five-Size Average	**0.5722**	**1.089**	**0.5253**	**0.5018**	**0.4817**	**0.4567**	**0.4605**	**0.2747**	**+1.08**

SOURCE: Hertz Corp.

INTERVIEW

Currently, Nissan's top fleet model is the compact Sentra (above), followed by the more luxurious Stanza (right). Nissan's ambitious goal is to overtake Toyota as the No. 1 import nameplate in the U.S. fleet business.

you're going to see a lot of activity in that area."

He believes buy-backs could be "the next logical step" in auto manufacturers' dealings with lessors: "Ford Motor Co. is doing something with Hewlett-Packard, probably involving buy-backs and guaranteed values of fleets, to take the risk out of the business. Minimizing risk is inevitably where things are heading.

"As long as there is overcapacity and extreme competition among manufacturers to make sure their capacity is used and the excess belongs to somebody else, it's going to be a very hard marketplace. Everyone's going to want to one-up the next guy in terms of benefits they offer fleet customers. Leasing is the next obvious area where manufacturers will put their efforts in minimizing the risk of the customer." ■

body knows exactly how extensive their operation will get. But when they combine leasing companies, financial services and the ability to dispose of units thrcugh their auctions, they potentially become a cradle-to-grave operation. GE Capital will continue to make waves in the leasing industry."

Another thing the Nissan official recognizes is the trend toward excess production capacity throughout the auto industry, and its impact on fleet business.

Says Borgen: "It's a buyer's market in dealing with auto manufacturers, and that fact isn't being lost on the leasing companies. They're aware of what's happening with all the special deals going on in daily rentals. The leasing companies have decided that to be profitable they're going to have to be more aggressive with the manufacturers in getting better deals and a greater variety of deals.

"Generally, leasing companies haven't been getting the kinds of deals offered to rental firms. In my opinion, over the next couple years,

471, while 20,000 miles a year comes to $5,616 — $1,145 a year more. Average driving distance for U.S. cars in their first five years of service was 11,005 miles in 1986, latest year for which there are mileage figures. (Cars are driven more miles in early years, fewer later.)

Data show that from the early '70s to early '80s motorists drove less, kept cars longer and bought smaller cars in an attempt to keep driving outlays in line with family incomes.

From 1972 to 1983 average yearly passenger car mileage dropped 22 percent from 10,362 to 8,037 miles before turning back upward to 8,317 in 1984, 8,586 miles in 1985, 8,894 in 1986 and 9,304 last year.

Compact cars, rather than intermediates, are now the most typical new models purchased, and most vehicles are about a foot shorter than their 1972 counterparts.

New cars are now kept an average of 5.4 years against 3.6 in 1972. Average age of all cars on the road is now 7.6 years versus 5.7 15 years ago.

Driving expenses can vary dramatically under a wide array of circumstances. For example, parking and tolls in major cities can add 10-40 cents a mile to the 51.14 cents compact average for 10,000 annual miles for five years.

If driving patterns differ, costs also can vary substantially, even for similar cars in the same locale if driven equal mileage and use periods. ■

1988 Buick Regal.
Automotive Fleet
"...Buick performance, ride, and handling have been accomplished through fully-tuned MacPherson struts, strut rod/wishbone, coil springs, a three independent link suspension, and power-assisted four-wheel disc brakes."
Motor Trend
"...View one parked next to last year's car — or drive them back-to-back — and you will realize how far the division really has come."
Car and Driver
"The interior design has a fresh, modern look... but the instrument cluster is clean and functional."
The New York Times
"...a strong front end, and... more than that, it can be said of the new Regal it could use a little more."
Car and Driver
"In the real world, a Buick is supposed to offer some split and some old-fashioned value — and that the Regal does."
"Contact your Buick dealer or your Buick fleet/lease representative today and learn more about Regal. There's nothing like it for your fleet.
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FEATURE

Taking it personally

Personal use of fleet vehicles is down, NAFA's annual survey reveals

NAFA received 463 responses from fleet managers in the U.S. and Canada to its 1988 Personal Use Survey.

The largest number of responses came from government fleets (70), industrial manufacturing fleets (61), insurance fleets (55), and drug and cosmetic company fleets (51).

In total, responding fleets are responsible for 518,401 vehicles — 480,126 in the United States and 38,275 in Canada. Of the U.S. total, 257,330 vehicles were company-owned and 222,796 were leased. In Canada, 26,187 were company-owned and 12,088 were leased.

Among the survey highlights:

- Fleet drivers' spouses, licensed children and others are less likely to be able to drive a company vehicle for personal use than last year, while employees themselves have decreased the amount of monthly personal-use mileage.
- Nearly 90 percent of responding fleets allow drivers personal use of a company vehicle while more than 80 percent charge drivers for such use.
- Drivers using a personal vehicle for business purposes, either because they have no assigned fleet vehicle or their assigned fleet vehicle is inoperable, will in four out of five cases be reimbursed at a cents-per-mile rate.

Survey results show 87 percent of U.S. fleet managers and 88 percent of Canadian fleet managers allow drivers to use company-provided vehicles for personal use. In Canada, 84 percent allow an employee's spouse to use the company vehicle for personal use as well, while in the U.S. the figure is 62 percent.

Another difference exists in the area of allowing licensed children to drive a company vehicle. In Canada, 57 percent permit it compared to 28 percent in the U.S. In accordance with this, 40.6 percent of Canadian fleets have set an average minimum age limit of 20 years for persons other than the employee eligible to drive a company vehicle. In the U.S., 24.1 percent of fleets have set an average minimum age requirement of 21 years.

Responding U.S. fleets claim drivers put an average of 1,975 miles on a company vehicle each month; in Canada the number is 2,661 kilometers (1,650 miles). Respectively, these groups said 408 miles and 548 kilometers of their monthly totals were for personal use by drivers.

In percentages, therefore, U.S. fleets drive 20.7 percent of their total monthly mileage for personal use, while Canadian fleets drive 20.6 percent of their total kilometers for personal use. Only 15 percent of U.S. fleets and 13 percent of Canadian fleets have set a maximum allowable number of monthly personal miles.

On that note, 75.6 percent of U.S. fleets and 83.6 percent of Canadian fleets allowing personal use of a company vehicle say employees can use the company vehicle for personal use whenever necessary.

More than 13 percent (13.2) of U.S. fleets and 3.3 percent of Canadian fleets allow personal use only to and from work; 4.7 percent of U.S. and 1.6 percent of Canadian fleets allow personal use only while working; 1.5 percent of U.S. and 3.3 percent of Canadian fleets allow personal use only while on vacation; 1.2 percent of U.S. and 3.3 percent of Canadian fleets allow personal use only on weekends and holidays; 3.8 percent of U.S. and 4.9 percent of Canadian fleets allow personal use at other times.

To cover some of the expenses of allowing drivers to use a company vehicle for personal use, 83.3 percent of U.S. fleets and 68.9 percent of Canadian fleets say they charge drivers for personal use of a company vehicle.

In the U.S., 32.5 percent of respondents charge on a cents-per-mile and flat rate per week or month; 1.2 percent on a graduated scale of cents-per-mile for the first set of miles; then a different, usually lower, amount for any miles over that limit. More than one-fourth (25.8 percent) of U.S. fleets use methods other than those to charge their drivers for personal use of a company vehicle.

In Canada the most often cited method of charging drivers for personal use of a company vehicle is by flat weekly charges (44.2 percent), while 27.9 percent use a cents-per-kilometer method and 4.7 percent use a combination of both cents-per-kilometer and flat weekly or monthly rates.

No Canadian fleets claim to use the graduated scale method of chargeback, and 23.2 percent say they use methods other than those listed on the survey form to charge their drivers for personal use of a company vehicle.

In the U.S., fleets using the cents-per-mile method when charging drivers for personal use of a company vehicle charge their drivers an average of 17.5 cents per mile. In Canada the rate is 9.3 cents per kilometer.

Those in the U.S. charging drivers each week or month do so at the average rates of $23 each week or $58 each month; for Canada, the rates are $13 and $41, respectively.

U.S. fleets using a combination of cents-per-mile and a flat weekly or monthly charge claim an average of 11.5 cents per mile, while $40 each month is charged to drivers. In Canada the amounts are 9.0 cents per kilometer and $63 each month. No one in Canada uses the graduated scale, but U.S. fleets using this method charge an average of 19.3 cents for the first 7,650 personal miles in a calendar year and 14.3 cents each mile over that.

When collecting these charges, 42 percent of U.S. fleets and 57.5 percent of Canadian fleets use salary deductions. More than one-third (38.2 percent) of U.S. and 31.9 percent of Canadian fleets have drivers fill out expense reports, while 19.8 percent of U.S. and 10.6 percent of Canadian fleets use other methods.

When an employee uses a personally owned vehicle for business purposes because his/her assigned fleet vehicle is inoperable, 87.2 percent of U.S. fleets and 71.4 percent of Canadian fleets reimburse the driver on a cents-per-mile basis. Average amount reimbursed in the U.S. is 21.4 cents per mile; in Canada it is 22.9 cents per kilometer.

When reimbursing drivers for business use of a personal vehicle with no assigned fleet vehicle, the cents-per-mile method is again most used in both countries: 81.6 percent of U.S. fleets and 78.9 percent of Canadian fleets. U.S. fleets pay an average of 21.5 cents per mile, while Canadian fleets pay an average of 23.5 cents per kilometer.

Finally, 94.2 percent of U.S. fleets and 84.1 percent of Canadian fleets say they have not had their personal use policies audited by the Internal Revenue Service, or equivalent governmental body, within the past two years. In real numbers that means 23 fleets in the U.S. and 11 in Canada were audited.

If U.S. drivers have an accident in a company-provided vehicle while they are driving the vehicle for personal use, 71.8 percent will not be charged any portion of the repair costs as a result of the accident. This is true for 47.8 percent of drivers in Canada.

Of the 28.2 percent of U.S. drivers charged a portion of accident repair costs incurred as a result of an accident during personal use of a company vehicle, 43.1 percent can expect to pay an average set dollar amount of $197, according to survey results. More than two out of five (41.3 percent) pay the insurance policy deductible amount; 12.6 percent pay the full amount of damages; 2.9 percent pay an average fixed share of 28 percent of the costs.

When Canada's 52.2 percent of drivers who have to pay a portion of accident costs from a personal-use accident are charged, 54.3 percent pay a set dollar amount averaging $184; 42.8 percent pay the insurance policy deductible amount; 2.9 percent pay the full amount of damages; none pays a fixed share percentage.

For 52.8 percent of U.S. fleets and 56.9 percent of Canadian fleets, drivers are assigned company vehicles as a fringe benefit. For 26.1 percent of U.S. fleets and 15.6 percent of Canadian fleets, a driver's yearly mileage warrants assignment of a company vehicle (annual averages — 12,843 miles, 15,594 kilometers).

For 11.7 percent of U.S. fleets and 20.2 percent of Canadian fleets, company vehicles are assigned because of the driver's job title. Only 9.4 of U.S. fleets and 7.3 percent of Canadian fleets use factors other than those listed to determine who is assigned a company vehicle.

For drivers with an assigned fleet vehicle not in operation, 33.6 percent of U.S. fleets and 27.3 percent of Canadian fleets allow the drivers to use their personal car for business.

Thirty-one percent of U.S. and 42 percent of Canadian fleets allow drivers to rent a vehicle in this situation; 27.7 percent of U.S. and 20.7 percent of Canadian fleets permit the driver to use a company pool vehicle; 5.5 percent of U.S. and 4.7 percent of Canadian fleets let drivers use the district manager's vehicle; 2.2 percent of U.S. and 5.3 percent of Canadian fleets authorize other means of transportation. ■

NAFA's Personal Use Survey

What is the total mileage a driver puts on an average company vehicle each month?

	Drugs & Cosmetics	Food & Beverage	Insurance	Chemical & Petroleum	Manufacturing, Industrial	Manufacturing, Consumer	Public Utility	Government	Banking, Financial	Communications	Service Organization	Electronics	Other	Total
U.S. (miles)	2,129	2,076	1,834	2,008	2,219	2,116	1,879	1,830	1,380	1,843	2,203	2,300	2,027	1,975
Canada (km)	2,907	2,779	2,250	2,911	2,090	2,610	0	2,570	300	2,439	0	3,500	3,167	2,661

What is the average personal mileage driven by employees on company vehicles each month?

	Drugs & Cosmetics	Food & Beverage	Insurance	Chemical & Petroleum	Manufacturing, Industrial	Manufacturing, Consumer	Public Utility	Government	Banking, Financial	Communications	Service Organization	Electronics	Other	Total
U.S. (miles)	299	407	318	1,229	388	271	516	227	319	370	417	676	435	408
Canada (km)	460	454	250	594	676	521	0	542	50	729	0	350	1,042	548

Percent of total monthly mileage considered to be used for personal use

	Drugs & Cosmetics	Food & Beverage	Insurance	Chemical & Petroleum	Manufacturing, Industrial	Manufacturing, Consumer	Public Utility	Government	Banking, Financial	Communications	Service Organization	Electronics	Other	Total
U.S.	14.1%	19.6%	17.3%	61.2%	17.5%	12.8%	27.5%	12.4%	23.1%	20.1%	18.9%	29.4%	21.5%	20.7%
Canada	15.3%	16.3%	11.1%	20.4%	32.3%	20.0%	0	21.1%	16.7%	29.9%	0	10.0%	32.9%	20.6%

Is there a maximum number of monthly personal miles allowed for each driver in a company vehicle?

	Drugs & Cosmetics	Food & Beverage	Insurance	Chemical & Petroleum	Manufacturing, Industrial	Manufacturing, Consumer	Public Utility	Government	Banking, Financial	Communications	Service Organization	Electronics	Other	Total	% of Country's Total	Overall % U.S. & Canada
U.S. — yes	3	2	5	0	3	5	0	38	0	0	2	0	1	59	15%	15%
Average limit (miles)	1,000	600	850	—	200	325	—	300	—	—	213	—	372	388		
Canada — yes	1	1	0	0	0	0	0	7	0	0	0	0	0	9	13%	
Average limit (km)	615	8,000	—	—	—	—	—	2,000	—	—	—	—	—	2,513		

SOURCE: National Association of Fleet Administrators

FEATURE

Standardizing electronics

Electronics boom means more standard equipment for fleets

Fleet operators and their drivers can expect a flow of new electronic features to be available in automobiles in the next few years — many of them as standard equipment.

Although the passenger car of the early 1990s will not be fully electronic, the trend continues to move ever onward in that direction, as electronics become a mainstay of the modern motor vehicle.

Electronic powertrain controls started coming on strong in the 1970s, spurred by government-mandated emissions standards and a need for fuel economy combined with sharpened vehicle performance.

Before long, electronics popped up in instrument panels — mainly in upscale cars — to provide driver information and such niceties as climate control. Also arriving were such safety/convenience features as anti-theft systems.

Then all of a sudden along came the luxurious 1987 Cadillac Allante two-seater with more than $2,000 worth of electronics as standard equipment.

The Allante example of automotive electronic grandeur is cited as an "extreme case" in a new Frost & Sullivan report: *The Non-Entertainment Automotive Electronics Market in the U.S.* But that may be only temporary, judging from the onrushing tide of technical advances detailed in the report.

In the powertrain category, although a great deal of development has already taken place, the report looks for continued advances toward greater sophistication overall and for an "inevitable blending eventually of engine and transmission electronic controls."

The report predicts that smart sensors, which provide the necessary signals representing engine data, will proliferate as advanced powertrain controls are developed to respond to varying amounts of engine-torque demands by integrating response with driver input.

Vehicle operations to which these more sophisticated controls will be applied include manifold boost pressure, fuel mixture, spark timing, valve timing and intake-manifold geometry.

Steering, braking and other vehicle-control advances also are in the offing. All-wheel steering, for example, has already appeared in Japanese cars and could show up by the early '90s in U.S. makes.

In driver information and safety/convenience categories, consumer and fleet preferences are expected to play a strong marketing role in the next few years, as drivers come to expect convenient, readable and useful displays such as electronic navigation systems (see related story on page E34).

Indeed, F&S sees electronic navigation systems going into 1989 cars as OEM products, after which the market will take off rapidly.

Another fast-growing electronics category, F&S forecasts, will be safety and convenience products ranging from collision-avoidance systems to sophisticated interval windshield wipers.

It is generally estimated that electronics account for approximately 10 percent of the total dollar value of today's new U.S.-built car.

Important to fleet operators are the kinds of cars in which new electronic features will be offered.

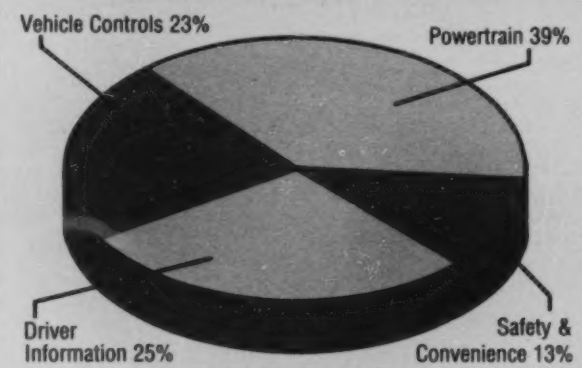
A report by the University of Michigan's Office for the Study of Automotive Transportation notes: "It is becoming increasingly clear that the U.S. passenger car market is being segmented into two categories — lower technology/high volume *(such as Chevrolet Cavalier, Ford Escort, Plymouth Reliant)* and high technology/lower volume *(such as Chevrolet Corvette, Lincoln Mark VII, Chrysler LeBaron GTS)*."

Based on that premise, a panel of more than 225 automotive executives was asked: What fraction of total vehicle cost will be represented by electronic componentry?

The panel forecast that by 1990 the amount of total vehicle cost represented by electronic componentry will be 8 percent for lower technology/high volume cars and 15 percent for high technology/lower volume cars.

They said that by 1995 the percentages are expected to increase to 10 and 20 percent, respectively. ■

Non-Entertainment Automotive Electronics Market Share in the U.S. — 1992



SOURCE: Frost & Sullivan Inc.

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Northwood presents Crain awards

Three automotive students honored for 'outstanding' work

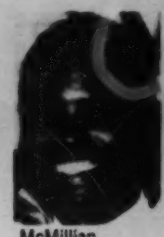
MIDLAND, Mich. — Northwood Institute has announced the winners of the 1988 G.D. Crain Award. The award is given annually to one outstanding automotive student from each of the three Northwood campuses. Each winner receives $600 and a plaque.

G.D. Crain, who died in 1973, was the founder and chairman of Crain Communications Inc., publisher of Automotive News.

Wesley E. Masure of Allenstown, N.H., is the winner from the Midland campus. He is working toward an associate's degree in automotive marketing and a bachelor's degree in business management and marketing.

Masure is president of the junior chapter of the Automotive Hall of Fame and will serve as domestic chairman of Northwood's 25th anniversary auto show. He plans to enter the retail auto business at his father's used-car dealership, Kars Etc., in Tilton, N.H.

Masure


McMillian

Talbot

Ronald McMillian is the winner from the Cedar Hill, Texas, campus. He is a Chrysler Corp. Minority Dealer Scholarship Award winner and maintains a 3.62 grade point average.

He is employed by Freedom Chrysler-Plymouth in DeSoto, Texas, where he is preparing a customer-satisfaction-index program for the dealership.

Stephen Talbot of Lewisburg, W.Va., is the winner from the West Palm Beach, Fla., campus. He is a sophomore working toward an associate's degree in automotive marketing and a bachelor's degree in marketing/management.

He has worked for the family-owned Greenbriar Motor Co. for the past three summers and plans to join the company upon graduation.

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DOMESTIC SALES

	April 11-20, 1988	April 11-20, 1987
Ford	1,422	715
Chrysler	9,178	6,984
Plymouth	9,158	6,423
Dodge	15,077	9,087
Chrysler Motors	33,842	24,769
Ford	45,518	43,628
Mercury	14,448	11,987
Lincoln	5,288	4,369
Ford Motor Co.	65,254	59,984
Buick	15,438	15,457
Cadillac	8,218	8,538
Chevrolet	48,171	38,986
Oldsmobile	19,881	20,721
Pontiac	24,249	20,444
General Motors	112,344	104,473
Volkswagen	1,371	1,162
Honda	10,158	6,128
Nissan	7,188	8,048
Toyota	11,288	7,904
Mazda	720	—
U.S. industry total	228,991	201,141

Domestic sales advance 13.8% for mid-April

By Roger Rowand
AUTOMOTIVE NEWS STAFF REPORTER

Mid-April retail sales of new cars built in the United States climbed 13.85 percent, reversing a decline in the month's initial 10-day selling period.

Sales totaled 228,991 units for April 11-20, compared with 201,-141 a year earlier.

Particularly strong gains were reported for Honda, Chrysler Motors and Toyota.

Honda dealers' sales were up 65.51 percent from those of a year earlier. Chrysler Motors' dealers were up 36.52 percent, and Toyota dealers' were up 32.45 percent in the period.

Gains also were noted for Volkswagen, with a sales increase of 17.82 percent; Ford Motor Co., with a rise of 9.53 percent; and General Motors, with an upturn of 7.53 percent.

Nissan had the sole decline among the domestics as it reported a dip of 9.17 percent in mid-April sales.

Mazda, which began producing cars in this country in September, said its dealers delivered 720 cars in the 10-day period.

There were nine selling days in the mid-month period compared with eight last year.

The daily selling rate in the period was 25,443 units this year and 25,143 in 1987.

Sales fell 24.95 percent from the year-earlier level in the month's initial 10-day period.

AUCTION DATES

Chrysler Motors

May 3 — Florida Auto Auction of Orlando, Ocoee, Fla.; Dallas Auto Auction, Grand Prairie, Texas; Hatfield Auto Auction, Hatfield, Pa.; Aptco Auto Auction, Taylor, Mich.; Arena Auto Auction, Chicago; Riverside Auto Auction, Riverside, Calif.; South Seattle Auto Auction, Kent, Wash.; and Southern Auto Auction, Warehouse Point, Conn.

May 4 — Columbus Fair Auto Auction, Obetz, Ohio, and Nashville Auto Auction, Nashville, Tenn.

May 5 — Fredericksburg Auto Auction, Fredericksburg, Va.; Indianapolis Auto Auction, Indianapolis; Omaha Auto Auction, Omaha, Neb.; and Salt Lake City Auto Auction, Salt Lake City

May 6 — St. Louis Auto Auction, Bridgeton, Mo.

May 10 — Hatfield Auto Auction, Hatfield, Pa.; American Auto Auction, Walpole, Mass.; Denver Auto Auction, Aurora, Colo.; and Golden Gate Auto Auction, Fremont, Calif.

May 11 — Butler Auto Auction, Gibsonia, Pa.; A.D.E. of Birmingham, Birmingham, Ala.; and Minneapolis Auto Auction, Plymouth, Minn.

Ford Motor Co.

May 4 — Atlanta Auto Auction, Red Oak, Ga.; Concord Auto Auction, Acton, Mass.; and Southern California Auto Auction, Fontana, Calif.

May 5 — Greater Chicago Auto Auction, Chicago; Dallas Auto Auction, Grand Prairie, Texas; and Minneapolis Auto Auction, Plymouth, Minn.

May 10 — Bay Cities Auto Auction, Inc., Hayward, Calif.

May 11 — Northway Auto Auction, Clifton Park, N.Y.; Indianapolis Auto Auction, Indianapolis; and Lakeland Auto Auction, Lakeland, Fla.

May 12 — Denver Auto Auction, Aurora, Colo.; Aptco Auto Auction, Taylor, Mich.; Nashville Auto Auction, Nashville, Tenn.; Southwest Auto Auction, Phoenix, Ariz.; Brasher's Sacramento Auto Auction, Rio Linda, Calif.; and Skyline Auto Exchange, Fairfield, N.J.

May 17 — South Seattle Auto Auction, Kent, Wash.

May 18 — Columbus Fair Auto Auction, Obetz, Ohio; Clanton's Auto Auction, Darlington, S.C.; Southern California Auto Auction, Fontana, Calif.; Newburgh Auto Auction Inc., Newburgh, N.Y.; Salt Lake Auto Auction, Salt Lake City, Utah; and West Palm Beach Auto Auction, West Palm Beach, Fla.

May 19 — Baltimore-Washington Auto Exchange, Baltimore

May 24 — Harrisonburg Auto Auction, Harrisonburg, Va., and Bay Cities Auto Auction Inc., Hayward, Calif.

May 25 — Lakeland Auto Auction, Lakeland, Fla.

General Motors

May 3 — Auto Dealers Exchange of Birmingham, Moody, Ala.; Harrisonburg Auto Auction, Harrisonburg, Va.; and Florida Auto Auction of Orlando, Ocoee, Fla.

May 4 — Hatfield Auto Auction, Hatfield, Pa.; Metro Auto Auction of Kansas City, Lee's Summit, Mo.; and Minneapolis Northstar Auto Auction, Shakopee, Minn.

May 5 — Butler Auto Auction, Gibsonia, Pa.; Denver Auto Auction, Englewood, Colo.; Aptco Auto Auction, Taylor, Mich.; Big H Auto Auction, Houston; and Nashville Auto Auction, Nashville, Tenn.

May 10 — Southern Auto Auction, East Windsor, Conn., and Dallas Auto Auction, Grand Prairie, Texas

Used Car Sales
Auction Averages

April 1988	$5,722
Month ago	$5,566
Year ago	$5,832

Model Breakdown
Auction Averages

	APR 1988	MAR 1988	FEB 1988
1988	$12,483	$12,283	$10,741
1987	$8,638	$8,682	$8,443
1986	$7,190	$6,927	$6,732
1985	$5,904	$5,837	$5,731
1984	$4,438	$4,380	$4,363
1983	$3,792	$3,765	$3,689
1982	$2,398	$2,534	$2,454
1981	$1,937	$1,906	$1,817
Overall Average	$5,722	$5,589	$5,309

Manheim revenues jump 31%; 1987 total reaches $100 million

Manheim Auctions, a division of Atlanta-based Cox Enterprises, had revenues of roughly $100 million in 1987, up 31 percent over the previous year, based on handling $3.5 billion in gross vehicle transactions.

Cox Enterprises is mainly a communications company with newspapers, television and radio stations; cable television systems; and other investments including cattle ranches.

Because it is not publicly traded, and therefore not required to disclose its financial results, the company's 1987 annual report is more fluff than substance, but it does provide limited insight into the growth of the company's wholesale auto auction division.

All figures provided in the annual report are approximated and company officials said they are conservative.

Operating income for the division was up 31 percent over 1986, principally due to a 16 percent increase in the value of the vehicles sold. Total registrations exceeded one million vehicles, according to the annual report. Reconditioning services contributed $18 million to Manheim's total revenues.

Company officials told Automotive News the number of cars sold exceeded 600,000, which would give the company roughly a 60 percent sales rate on consignment vehicles. However, that percentage based on more precise figures provided to Automotive News indicate the sales rate was actually closer to 55 percent, and reflects the average for all 21 auctions that were in the chain last year.

Gross sales of vehicles sold at Manheim auctions rose 25 percent in 1987. The figure has risen steadily over the years — from $1.6 billion in 1983 to $1.9 billion in 1984; $2.0 billion in 1985; and $2.8 billion in 1986.

Acquisitions last year, including Bishop Brothers Auto Auction in Atlanta and Oshawa Auto Auction in suburban Toronto, were highlighted in the report. Manheim also opened Riverside Auto Auction in southern California. Other expansion projects in 1987 included an 11-bay reconditioning center for the Atlanta Auto Auction.

In 1988, new facilities will be

see AUCTION BRIEFS, page 53

AUCTION BRIEFS

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Ford studies Aston, AC role; Cosworth tie grows

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

BRENTWOOD, England — Ford of Europe is considering various strategies for Aston Martin and AC Cars, including the production of a new small Aston and combining the two firms under one organizational roof. Ford acquired Aston Martin and AC Cars last fall.

Meanwhile, the company announced it will boost production of its new Cosworth Sierra, the high-performance model introduced in Europe last February.

Alex Trotman, Ford of Europe chairman, said there is no rush to determine precise plans for the company's two new prestige brands, Aston Martin and AC Cars.

"We're discussing alternative ways of evolving Aston Martin into perhaps a slightly larger company," he said. "For the moment our position is that Aston Martin do what it has been doing. There are a number of possibilities in the future, none of which is a concrete plan yet."

Under Ford, Aston is expected to reactivate a small-car project that had been shelved. Production of the so-called "DB4 for the 1990s" would probably be at a new factory in the United Kingdom.

Trotman said a small car "is obviously an option" and could necessitate a new plant.

"(A new factory) would depend on the volume of the car," he said.

When asked, Trotman said the new 90,000-square-foot AC Cars plant under construction in Brooklands, England, could serve as a site for Aston production.

"It gets back to volume and what kind of product you're going to put in," he said. "That would be a possibility, I suppose."

Another option is combining AC Cars and Aston Martin organizations.

"Yes, there could be some synergy between those two little companies," Trotman said, "but we clearly would keep the marques separate."

The automaker's new notchback Sierra Cosworth debuted early this year, and Trotman said the initial response has been strong.

A 150-mph Cosworth-powered version of the Sierra hatchback was introduced two years ago as a limited-production model. Output was capped at 5,000 units.

"We're rolling along, doing better than we expected frankly," he said. "It's a smash in Italy, for example."

Trotman said Ford has decided to adjust the build schedule upward by at least 20 percent in 1988 and further increases are possible.

"I think we'll be roughly to the 6,500-7,000 annual rate of production by the end of this year," he said. "We've confounded ourselves before with some of these top-of-the-line products; it's conceivable we could go higher than that. But we want to be somewhat cautious with this kind of product."

Ford and Cosworth are said to be near agreements for high-output versions of other Ford models in Europe, resulting, for example, in Cosworth Fiesta and Cosworth Escort models.

Trotman said Ford expects to continue to develop new products with Cosworth, but said there are no plans to use the Cosworth name elsewhere in the Ford range.

"That would be possible, but I think it would be extremely unlikely," he said.

Ford's profit bonanza continues

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

DEARBORN, Mich. — Ford Motor Co., bolstered by a strong performance overseas, continued its record-setting earnings pace with a 9 percent increase in profits, or $1.62 billion, for the first quarter of 1988.

The results were higher than many analysts had expected. Ford was able to post a 76 percent increase from automaking ventures outside the United States despite a two-week strike in Britain. Combined overseas automotive operations netted Ford a quarterly record $580 million.

In the United States, though, earnings fell 10 percent to just over $1 billion. The company attributed the decline to higher capital spending and marketing costs. The marketing programs helped Ford boost its share of the U.S. car market from 20 percent at the start of the year to 21.8 percent. Ford's truck share for the first quarter was up a fraction to 29.7 percent.

Altogether, Ford's quarterly profit was the highest ever recorded by an automaker. The previous high was $1.6 billion by General Motors in the first quarter of 1984.

Ford's worldwide sales for the quarter also climbed by about 9 percent, to $20.7 billion.

"What's important is how well balanced the company is," said Charles Brady, an analyst with Oppenheimer & Co. Ford is continuing to show that it doesn't have to rely on the United States alone for a strong balance sheet, Brady said.

Ford's financial picture has been helped considerably by the fact that its plants in Europe and the United States are producing at full capacity, said David N. McCammon, Ford's vice president — finance and treasurer.

Shifting exchange rates added $60 million to Ford's profits in Europe, but that gain was more than offset by $100 million in lost profits from the Ford of Britain strike, which disrupted production in that country and on the European continent. Overall European sales rose for the quarter and operating margins improved.

Autolatina, Ford's joint venture with Volkswagen AG in Brazil, earned a profit in the first quarter, McCammon said. The venture, which lost an estimated $300 million during its launch last year, is now benefiting from reduced operating costs, lower interest expenses and an improved economic picture in Brazil.

McCammon declined to reveal the size of the gain because Ford holds a minority stake — 49 percent — in Autolatina. VW will announce its financial results for 1987 this Wednesday in West Germany.

Income from Ford's financial services group was essentially unchanged in the first quarter. Its First Nationwide Bank saw earnings drop by $26 million from year-ago levels. Ford Credit's earnings climbed by $3.3 million, and newly acquired U.S. Leasing Corp. contributed $7 million to the bottom line in its first full quarter as a Ford subsidiary.

In a press conference, McCammon also announced:

- Ford's capital spending amounted to $875 million in the first quarter, up slightly from year-ago levels. The expenses are part of Ford's previously announced plan to significantly increase capital outlays in coming years.
- The U.S. industry's strong start in 1988 has Ford reconsidering earlier predictions for 15 million car and truck sales. McCammon said sales could come in as high as 15.3 million.
- An economic downturn, which once seemed possible in early 1989, now appears unlikely in the United States before mid-1989.
- The new Ford Probe, which officially goes on sale May 12, is getting off to a strong start. Dealers have already placed 75,000 orders.
- Despite Ford's reluctance to add new capacity, it may bend in order to meet the continuing demand for trucks. Among its options are converting an existing car plant or building a new assembly plant.

CHRYSLER

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production in 1989 following an estimated six-week move to Chrysler's Jefferson Avenue assembly plant in Detroit.

Chrysler officials acknowledged earlier this year that profits could be affected by a new corporate strategy stressing gains in market share and increases in spending for engineering and future product development.

"We had to chose between shrinking margins or market share," Iacocca said. "We've got to continue to look long-term."

Chrysler Corp. Treasurer Frederick Zuckerman said that Chrysler's profit margin dropped to about 2.5 percent in the first quarter of 1988 compared to about 4 percent in the comparable period of 1987.

Although the company declined to specify its marketing costs in the first quarter, a letter sent by Chrysler to all members of the U.S. Congress April 22 said the company spent more than $400 per unit on incentives in 1987.

According to Iacocca, Chrysler's long-term focus included increasing in March its engineering research and development budget by $150 million. Chrysler spent $800 million on engineering research and development in 1987.

"We have taken a look at some of the 1991 and 1992 (vehicle) programs and we have to do more than we've been doing because we need to do it to be competitive," Iacocca said.

Iacocca said the increased production in the last half of 1988 is being prompted by a stronger-than-expected market as well as pressure exerted in the wake of the company's announcement that the Kenosha plant would be closed.

Chrysler will produce 983,000 units in the second half of the year, up from a projected build of 873,000.

The increased output includes 12,000 more Omni/Horizon America subcompacts, 57,000 more A[illegible]ica K-cars and 23,000 more M-body Fifth Avenues, Diplomats and Gran Furys.

The decision also means that Chrysler no longer has plans this year to make Mexico its sole source of the Dodge Aries and Plymouth Reliant for the U.S. market.

Iacocca said the company has a contingency plan to produce 20,000 to 40,000 K-car units in Mexico from January to May 1989 if sales are sufficiently strong. A phaseout of the model is then expected.

Chrysler posted the drop in earnings on net sales of $7.71 billion in the first quarter of 1988 up from $6.03 billion a year earlier, before it acquired American Motors.

Chrysler said it earned $183.7 million in the first quarter of 1988 and reported a one-time charge of $93.1 million due to plant closing costs in its Acustar parts-making subsidiary. Chrysler earned $269.4 million in the first quarter of 1987.

Worldwide factory sales for the quarter were 634,292, compared to 570,002 Chrysler units and 82,939 AMC units in the year-earlier period.

Chrysler Financial said its 1988 first-quarter net earnings were $65 million, 7 percent higher than the previous record of $61 million, earned in the first quarter of 1987. Its pretax earnings of $101 million in the 1988 first quarter were the second best in history.

Four-door GM10 due

POPULAR MECHANICS/JIM DUNNE PHOTO

Oldsmobile will introduce a four-door sedan version of its Cutlass Supreme (GM10) in the fall of 1989 for the 1990 model year, according to sources. The Cutlass sedan will be introduced along with four-door versions of the Pontiac Grand Prix, Buick Regal and a Chevrolet GM10 model.

FORD

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"It's not so much what you say to a customer, but how long it takes you to get a result," said Larry Hernandez, general manager at Capitol Ford in San Jose. "We'll cut through a lot of the red tape."

According to a spokesman for the National Automobile Dealers Association, Ford's program reflects "a maturing of the relationship" between automakers and their dealers. "I think the trend is toward relaxing warranty decision-making," the spokesman said. "But I'm not aware of any programs that go as far as the Ford program goes."

Under Ford's old system, the company served as the auditor. It took days, if not weeks, to get a zone manager to approve a claim. Meanwhile, customers didn't know if they'd be out $20 or $200.

The program is aimed at providing payments for problems that aren't caused by neglect or abuse. It's not, a Ford spokesman stressed, a license to give away money.

Dealers will be able to use a lot of discretion. They will also take into account the time and mileage since the warranty expired.

Although each case is different, Ford expects dealers to chip in an average of about $20 for every $80 provided by the company. Customers may be asked to cover some of the costs, too. A dealer is more likely to ask the customer to share some of the cost when a part breaks at 30,000 miles than at 15,000.

Hill, for example, was told that a design flaw made the decklid rust common on 1983 Mark VIs. He was also a long-time Lincoln owner and a known customer at the dealership — two other factors a dealer may take into account.

Ford tested the program in five of its parts and service regions last year. Twelve more have been added this year, including the four last week. By October, it is expected to be in place in a dozen more regions and cover every Ford and Lincoln-Mercury dealership nationwide.

"From our perspective, anything that simplifies the process for obtaining reimbursement is probably a good idea," said Robert Dewey, a member of the vehicle safety staff at the Center for Auto Safety, a consumer group.

The center in the past has taken issue with the industry for its so-called secret warranties, a practice of paying for common defects only when customers raise a fuss.

Dewey said that Ford's program appears worthwhile as long as it's not kept secret and as long as it doesn't preclude an owner from pursuing a defect claim through other channels.

Dealers said it's the type of program they will use daily and would have no reason to hide it.

Ford isn't disclosing how much it expects the program to cost. And while there is risk any time the company loosens its grip on the purse strings, dealers suggest that the benefits will far outweigh the potential for abuse.

"It's super-helpful to extend a little goodwill on things where the burden shouldn't be laid totally on the customer," said Mike Jones, service manager at Tom Curo Lincoln-Mercury, Laurel, Md.

Only the first owner of the car is eligible for the program.

Ford's basic warranty currently extends for one-year/12,000 miles, with additional powertrain protection for six years/60,000 miles. Corrosion coverage is effective for six years/100,000 miles.

Porsche signs lease for new U.S. quarters in Reno

RENO, Nev. — Porsche Cars North America is sending signals it is in the United States for the long haul.

Company officials have signed a 10-year lease for 47,000 square feet of space in a new building here. The company's headquarters is already in this city.

Porsche will move to the 12-story building — to be called Porsche Plaza — when its present lease expires in about 15 months.

Security concerns for company cars was cited as a consideration in the relocation plan.

Mexico grows as source of cars for U.S. market

By Dutch Mandel
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Corp.'s on-again, off-again shuffle of K-car production in Mexico focused attention on North America's most geographically convenient source of low-cost cars.

South-of-the-border production is not new. The twist comes as some U.S. manufacturers shut down assembly plants at home while Mexican sourcing increases.

In 1986, Chrysler, Ford Motor Co. and General Motors combined to make 76,882 cars in Mexico. In 1987, that figure more than doubled, to 164,028.

Exports also climbed — and at a feverish rate. In 1986, the Big 3 exported 20,502 cars to the United States. A year later, that number shot up to 113,531.

Of Detroit's automakers, Ford Motor Co. led the way in both Mexican production and export totals. In its Hermosillo plant, Ford built 51,773 Mercury Tracers that were exported to the United States. Total production in Mexico was 67,578 cars including Thunderbird, Topaz and Cougar models for the home market.

If current production rates hold, Hermosillo is expected to produce some 65,000 Tracers this year — up 14,000 from 1987. By adding a second shift, the plant could build as many as 130,000 annually.

Ford plant officials also picked Hermosillo as one of the two sites where it will build the CT20, the planned successor to the Tracer and Ford Escort. The Mercury version is expected to be built in Hermosillo, beginning in mid-1990, while Ford's assembly plant in Wayne, Mich., will produce Ford versions.

In the first three months of 1988, Ford built 5,593 cars, up slightly from last year.

Chrysler's production in Mexico has grown steadily from 42,606 units in 1986 to 64,208 in 1987. Last year it built 5,017 cars in the first quarter; this year's pace more than doubled, to 10,247.

Chrysler has been building for export to the United States the Chrysler LeBaron coupe, Plymouth Reliant and Dodge Aries. On Feb. 8, it began production at its Toluca, Mexico, plant of Plymouth Sundance and Dodge Shadow units for the U.S. market. Approximately 7,900 are expected to be built for the United States this year..

"Mexico can impact North America maybe 3 percent — the whole continent — as far as shipping anything out," Chrysler Chairman Lee Iacocca said last week. "They are not a player."

GM will continue to manufacture and export its mid-sized A-body cars from its engine and vehicle assembly complex in Ramos Arizpe in northeastern Mexico.

In 1987, GM Mexico built and exported 20,724 Celebrity A-cars to the U.S. market and built another 11,518 A-cars for the Mexican market. GM exported no cars from Mexico in 1986, though it did build and export the now-discontinued GMC Caballero and Chevrolet El Camino trucks that year.

Production capacity for the A-car at Ramos Arizpe has been put at 120,000.

For the first quarter this year, GM's Mexican car production was 3,321, up by more than half from 1987's first quarter. And GM's car production for all of 1987 was more than double that of 1986 — 32,242 versus 14,260.

Automotive News Staff Reporters Mary Connelly and David Versical contributed to this report.

LABOR

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American jobs would have been lost through increased Mexican production of K-cars during the period they were being phased out of the U.S. market. But to mention outsourcing — particularly to Mexico — during negotiations was like waving a red flag in front of a bull.

By contrast, a revelation last month that Chrysler also planned to build its P-car subcompact in Mexico went almost completely unnoticed, and the international UAW has not publicly protested the move.

Chrysler plans to build 7,900 Plymouth Sundance and Dodge Shadow P-cars in Mexico for the U.S. market during the 1988 model year. Production began in Toluca, Mexico, Feb. 8 (Automotive News, March 7).

Bill Parker, president of UAW Local 1700 at the Sterling Heights, Mich., plant, which also produces P-cars, said in March that he was very upset about the Mexican sourcing because more units could be built at Sterling Heights.

Since the P-car and K-car revelations of Mexican outsourcing got such different reactions, observers felt last week's turmoil was laced with traditional contract bargaining hype.

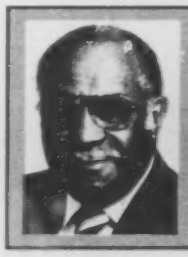
But an unlikely team of heroes — Iacocca and the union's chief Chrysler negotiator, Marc Stepp — emerged as saviors of the faltering negotiating process last week by flushing the villains: the managers Iacocca blamed, during a top-level meeting last week, for poor labor relations at Chrysler.

Stepp later fired his own volleys, citing "managerial stupidity" for "stupid announcements" and "idiocy" that "poison the waters" of labor-management relations.

The fallout on day-to-day relations may prove considerable and further polarize the parties at a time when Chrysler says it needs worker cooperation more than ever.

In blasting Chrysler managers, Stepp did not mention St. John, the company's top negotiator, by name. But it was St. John who, to deal with a news leak, called a press conference during the volatile first-week talks and thereby trumpeted a plan — which Iacocca later said was only under review — to shift all production of K-bodied cars to Mexico.

Stepp praised Iacocca for chastising the insensitivity of Chrysler management. He called Iacocca a man of his word who saw eye-to-eye with him on the labor-management relationship problem.



Stepp: Iacocca should stay in close touch with Chrysler managers during negotiations to make sure they don't commit "more tomfoolery."

Meanwhile, though Iacocca said that K-car sourcing was determined by necessary production increases, Chrysler local officials credited Stepp with making the company scrap its plan to source all K-bodies in Mexico in the 1989 model year.

St. John and the labor relations staff are taking the flak at the local level, yet will be expected to right the ship during negotiations.

"Lee Iacocca made the best statement," said Aaron Taylor, president of UAW 7, which represents the Jefferson Avenue (Detroit) plant. "He said Chrysler has come a long way in productivity and quality, but the labor relations department still has a long way to go."

Stepp called upon Iacocca to stay in close touch with Chrysler management during negotiations, to make sure they don't commit "more tomfoolery."

The recent turmoil may exact a price from Chrysler. Stepp and local union officials believe Chrysler workers — who gave up concessions and suffered anxiety over the proposed sale of Acustar and, on top of that, the moving of the K-car to Mexico — are entitled to more than workers received from Ford Motor Co. and General Motors.

"We need pattern-plus," Taylor said. "We've seen Chrysler's callous attitude. The workers want a sign that the trend will change."

Pattern-plus, Taylor said, means "no concessions whatsoever and a monetary consideration," possibly a signing bonus. "Let's see something from Iacocca in the contract — a monetary reward for the worker," he said.

UAW President Owen Bieber said that it is traditional for the latest company getting a pattern agreement to get a "sweetener," but Bieber said it would not be "too caloric."

Automotive News Staff Reporter Mary Connelly contributed to this report.

Car production in Mexico rises 31% for 1st quarter

By Kathy Barbaglia and Stephen Downer
AUTOMOTIVE NEWS STAFF

Mexican car assembly for the first three months of this year totaled 47,506, an increase of 31.77 percent over the year-ago quarter's 36,052.

Each of the five automakers in Mexico posted increases over the 1987 period.

General Motors built 3,321 cars in the first quarter, 55.11 percent more than the 2,141 assembled in the first quarter of 1987.

GM produces Chevrolet Celebrity, Buick Century and Oldsmobile Cutlass Ciera in Mexico. Only the Celebrity is exported to the United States.

Ford Motor Co.'s three-month build totaled 5,593, a slight increase (0.65 percent) over the 5,557 completed in the year-ago period.

Ford assembles Topaz, Ford Thunderbird and Mercury Cougar and Tracer models in Mexico. Tracer is the only car built for export.

In the first quarter, Chrysler assembled 10,247 cars, more than double the 5,017 built in the comparable period of 1987. Chrysler produces Aries, Reliant and LeBaron J models in Mexico; all are exported to the United States.

MEXICAN CAR PRODUCTION
First quarter 1988 vs. 1987

	1988	1987
Chrysler	10,247	5,017
Ford	5,593	5,557
GM	3,321	2,141
Nissan	14,883	13,478
Volkswagen	13,462	9,859
Total Cars, Mexico	47,506	36,052

Nissan built the most cars of the five companies in the first quarter with 14,883, up 10.42 percent over 13,478 in 1987. Nissan builds the Sentra for the Mexican market.

Volkswagen reported production of 13,462 cars in the first quarter, 36.55 percent more than the 9,859 built in the same period last year.

VW assembles the Golf, Jetta, Beetle and Corsar (Quantum) in Mexico.

Combined car production in Mexico, Canada and the United States in the first quarter totaled 2,036,395, down 13.15 percent from 2,344,766 last year.

Firebird, Camaro top theft list

By Matt DeLorenzo
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — General Motors' F-body cars — Pontiac Firebird and Chevrolet Camaro — topped NHTSA's list of final 1985 theft data with 19 and 16 thefts per thousand, respectively.

In fact, eight of the 10 cars with the highest theft rates were GM models. The other two were imports, Mazda's RX-7 in third place and Toyota's Supra, which finished 10th. The other GM models, ranking from fourth to ninth, were the Chevrolet Corvette, Buick Riviera, Chevrolet Monte Carlo, Buick Regal, Pontiac Grand Prix and Cadillac Eldorado. All cars in the top 10 had theft rates of more than 10 cars per thousand produced.

Ironically, the car with the lowest theft rate for 1985 is also sold by GM, the Chevrolet Nova, which is produced by New United Motor Manufacturing Inc. Sixteen of the 27,943 produced in 1985 were stolen for a theft rate of 0.5726 per thousand.

American Isuzu has disputed NHTSA's finding that the theft rate for the I-Mark nearly doubled in 1985 compared to 1983 and 1984 figures. The I-Mark is ranked 40th on the list with 89 thefts out of a sales total of 8,244 for a theft rate of 4.37 per thousand.

According to Isuzu, most of the reported thefts occurred in Puerto Rico, where the I-Mark theft rate was seven times that in the continental United States. Isuzu felt it was unfair to rank a car as a top risk when its theft rate was disproportionately high in only one area of the country. Isuzu asked that the thefts from Puerto Rico be excluded. NHTSA responded that by law, the definition of U.S. thefts includes that territory.

UAW review board upholds election rule

By Louise Kertesz
AUTOMOTIVE NEWS STAFF REPORTER

The UAW's public review board, an independent panel including law professors, upheld the union's requirement that a staff member who runs for election against an incumbent regional director take a 90-day unpaid leave.

In a related action, the U.S. Department of Labor last week established the rules and schedule for the rerun election for UAW Region 5 director, which was ordered by a U.S. district judge.

Election of delegates under the Labor Department's supervision will begin at locals in mid-June. A special convention, where delegates will vote for regional director, is expected to take place Aug. 11 in Tulsa, Okla., but could be scheduled earlier.

The Labor Department and Jerry Tucker, former assistant director of Region 5, challenged the candidacy rule and the election of Kenneth Worley, who defeated Tucker for Region 5 director by a slim margin. Should Tucker win the new election, it would put a dissident in a powerful position.

In a suit against UAW President Owen Bieber, Tucker charged that he was illegally fired for not abiding by the candidacy rule. A decision on that suit awaits U.S. District Judge Richard Suhrheinrich's consideration of the review board's decision.

The review board dismissed charges that the candidacy rule was not properly adopted:

"We cannot ignore the fact that the UAW is now, and has been for over 20 years, a one-party institution not in all respects unlike that found in many national governments in which a single political party controls the government, and the officials who formally make and administer the laws . . . are selected wholly by that party," the review board said.

"For this board to rule that the union can act only through formal action of the International Executive Board, recorded in verbatim minutes, would be to ignore the realities of how this union has long governed itself and would call into question a wide range and untold number of (executive board) actions over the years."

The UAW said the decision showed the 90-day rule is a "logical and democratic requirement" in light of its evolution.

'87 Maserati cars fail to meet passive-restraint rule

WASHINGTON — NHTSA's Office of Chief Counsel said it is considering legal proceedings against Maserati Automobiles because none of its 1987-model cars had either air bags or automatic belts.

Standard 208 requires a 10 percent phase-in for 1987.

Maserati was given 20 days from receipt of the NHTSA letter to respond.

The company sold 932 cars during the 1987 calendar year.

PRODUCTION

Car output holds steady at 165,706

By Kathy Barbaglia
AUTOMOTIVE NEWS STAFF REPORTER

Last week's targeted domestic auto production totaled 165,706, slightly above (0.11 percent) the prior week's 165,519 and a bit higher (0.61 percent) than the year-ago week's 164,702.

So far this year, 2,341,932 cars have been assembled, 12.29 percent below the 2,669,975 completed last year at this point.

Companies split last week's scheduled production as follows: General Motors, 50.75 percent; Ford Motor Co., 24.98 percent; Chrysler Motors, 14.82 percent; Honda of America Manufacturing Inc., 4.53 percent; New United Motor Manufacturing Inc., 1.96 percent; Nissan Motor Manufacturing Co. U.S.A., 1.58 percent; Mazda Motor Manufacturing (U.S.A.) Corp., 1.38 percent.

Volkswagen of America's plant in Westmoreland, Pa., remains idle until May 9 for model changeover.

Truck output of 86,676 last week dipped 1.98 percent from the prior week's 88,425 but was 9.57 percent more than last year's 79,107.

Year-to-date, 1,424,128 trucks have been built, 11.31 percent more than the 1,279,452 assembled last year at this time.

GM slated overtime last Saturday at the following car plants: Detroit-Hamtramck; Lansing, Mich.; Wentzville, Mo.; and Willow Run, Mich.

Four GM truck plants worked overtime last Saturday. They were: Lordstown van plant in Lordstown, Ohio; Baltimore; Flint, Mich.; and Pontiac, Mich.

Saturday overtime was slated at Ford's Wixom, Mich.; Kansas City, Mo.; and Norfolk, Va., plants.

Daily overtime is slated at all Ford car and truck plants this week except Edison, N.J.

Chrysler scheduled Saturday overtime at its Kenosha, Wis.; Toledo, Ohio; and St. Louis (No. 2) plants. Daily overtime is slated this week for Chrysler's Kenosha; Belvidere, Ill.; and St. Louis (No. 2) plants.

Canada again slates record auto production

For the second week in a row, Canadian auto makers scheduled the highest production in history — 27,010 cars, surpassing the current record of 26,733 set the week ended Dec. 14, 1985. The previous week's build fell 68 cars short of the record.

Last week's estimated car output was 1.29 percent more than the previous week's 26,665, and 52.75 percent more than the year-ago week's 17,683.

So far this year, 392,015 cars have been assembled, 35.83 percent more than the 288,611 built last year at this point.

Truck output of 20,030 last week was slightly below (0.83 percent) the prior week's 20,197 but 9.90 percent above the year-ago week's 18,226.

Year-to-date, 325,750 trucks have been completed, 17.49 percent more than the 277,268 built last year at this time.

U.S. CAR	Week Ended April 30, 1988	Week Ended May 2, 1987	Week Ended April 23, 1988	April Est.	Jan. 1 to April 30, 1988	Jan. 1 to May 2, 1987
Alliance	0	764	0	0	0	11,385
Total Eagle	0	764	0	0	0	11,385
Horizon	2,500	0	2,121	9,240	30,957	32,907
Sundance	2,100	2,224	2,236	9,139	36,552	37,683
Reliant	2,500	2,479	2,425	9,916	31,996	42,685
Caravelle	400	1,000	473	1,812	6,808	19,638
Gran Fury	300	210	317	1,352	4,134	777
Total Plymouth	7,800	5,913	7,572	31,459	110,447	133,760
LeBaron K	500	1,806	525	2,060	6,162	30,410
LeBaron J	1,300	4,012	1,902	7,017	20,990	34,782
LeBaron GTS	100	1,065	180	582	2,861	14,606
N. Yorker E-Class	0	1,910	0	0	0	30,731
N. Yorker C-Class	2,700	0	2,741	10,495	38,397	0
Fifth Avenue	350	1,314	336	1,344	12,510	10,497
Total Chrysler	4,950	10,107	5,684	21,496	79,220	121,026
Omni	2,500	0	2,194	9,525	30,873	28,363
Daytona	1,200	1,627	1,953	6,892	20,100	17,115
Shadow	2,100	2,556	2,226	8,606	36,526	35,604
Aries	2,400	2,443	2,326	8,977	27,127	37,971
Dodge 600	500	931	493	1,951	6,098	17,454
Dynasty	2,200	0	2,282	8,747	37,660	0
Lancer	250	546	221	955	3,829	9,236
Diplomat	650	293	500	2,404	7,999	1,135
Total Dodge	11,800	8,396	12,197	46,061	170,212	146,876
CHRYSLER MOTORS	24,550	25,162	25,453	101,018	359,879	413,049
Escort	9,478	7,154	8,744	33,103	117,078	124,286
Mustang	4,163	4,450	4,173	16,348	73,076	75,303
Tempo	4,378	3,794	3,846	16,704	68,287	66,798
Taurus	8,845	8,011	8,894	34,919	135,405	156,757
Thunderbird	2,937	4,733	3,372	13,090	54,423	53,558
Total Ford Div.	29,801	28,147	29,029	114,164	448,267	476,682
Lynx	0	643	0	0	0	16,148
Topaz	1,122	1,357	1,682	5,926	25,755	20,586
Cougar	2,690	3,136	2,258	9,469	41,042	57,890
Sable	3,557	2,502	3,580	13,979	45,883	49,152
Total Mercury	7,369	7,638	7,509	29,374	112,680	145,776
Continental	933	412	1,105	4,011	15,232	6,280
Mark VII	470	613	557	2,021	8,720	9,401
Lincoln	2,619	3,075	3,324	12,080	49,905	47,038
Total Lincoln	4,222	4,100	4,986	18,112	73,857	62,719
Total L-M Division	11,591	11,738	12,495	47,486	186,537	208,495
FORD MOTOR CO.	41,392	39,885	41,524	161,650	634,804	685,177
Skyhawk	0	0	329	2,379	11,350	13,713
Skylark/Somerset	1,810	1,844	1,905	6,119	12,080	27,559
Century	2,350	5,108	3,129	12,520	29,866	67,291
Regal (rwd)	0	1,101	0	0	0	15,174
Riviera	154	256	131	577	2,358	6,372
Electra	2,690	2,573	2,265	9,672	27,043	37,158
LeSabre (fwd)	2,875	3,271	3,452	12,305	44,103	40,952
LeSabre (rwd)	265	469	304	1,198	2,997	4,623
Reatta	177	0	156	605	1,631	0
Total Buick	10,321	14,622	11,671	45,373	131,428	212,836
Cimmaron	146	237	121	501	3,533	5,953
Eldorado	1,210	431	1,031	4,535	13,369	5,812
Seville	723	397	602	2,999	8,520	8,486
Brougham (rwd)*	1,121	1,134	1,121	4,709	12,061	27,817
Deville (fwd)	3,540	3,910	3,498	14,007	63,419	60,974
Allante	65	137	65	257	865	1,017
Total Cadillac	6,805	6,246	6,438	26,708	101,767	110,059
Cavalier	8,169	7,700	6,952	28,999	114,971	127,036
Camaro	2,430	2,575	2,398	9,440	26,085	36,791
Celebrity	4,575	7,708	4,005	15,462	54,702	127,708
Corsica/Beretta	8,980	6,259	8,980	35,541	135,219	91,474
Monte Carlo	0	1,924	0	0	0	24,979
Caprice	3,900	5,422	4,270	15,975	65,869	78,528
Corvette	440	648	442	1,757	7,247	10,272
Total Chevrolet	28,474	32,234	27,047	107,195	403,893	496,788
Celaia	2,980	3,141	3,115	10,869	36,572	39,362
Firenza	0	0	107	988	5,220	3,411
Cutlass Ciera	0	3,671	0	0	0	61,972
Cutlass Supreme*	9,137	3,116	9,137	36,375	77,621	24,648
Toronado	487	471	408	1,834	6,052	5,791
88 (fwd)	3,986	4,098	4,614	15,715	55,671	74,231
88 (rwd)	315	453	257	1,197	4,484	6,566
Olds 98	1,622	1,316	1,601	6,404	29,152	26,619
Total Oldsmobile	18,537	16,266	19,239	75,063	214,762	248,216
Sunbird	2,285	2,453	2,222	8,780	35,907	40,967
Grand Am	6,360	5,314	5,249	21,207	81,934	67,040
Firebird	1,690	1,747	1,685	6,720	20,338	-26,123
Grand Prix	3,285	0	3,316	13,195	36,373	0
Pontiac 6000	2,520	2,439	2,537	10,365	25,910	30,018
Bonneville	3,132	3,141	2,638	11,158	34,724	50,807
Safari/Parisienne	225	259	237	986	2,789	4,572
Fiero	488	1,173	490	2,062	6,737	12,975
Total Pontiac	19,985	16,526	18,386	74,474	244,712	254,302
GENERAL MOTORS	84,122	85,894	82,761	328,813	1,096,582	1,322,203
HONDA	7,500	6,604	7,470	31,931	123,596	111,863
Civic	2,150	1,770	2,299	8,934	31,661	35,413
Accord	5,350	4,834	5,171	22,997	91,935	76,450
MAZDA†	2,282	0	2,517	9,141	25,190	0
NISSAN	2,610	2,972	2,487	10,406	30,286	47,639
NUMMI	3,250	4,165	3,307	13,062	54,312	64,117
Corolla	1,200	800	1,197	4,838	20,010	13,059
Nova	2,050	3,365	2,110	8,224	34,302	51,058
VOLKSWAGEN	0	0	0	258	17,284	25,927
Golf/GTI	0	0	0	189	11,731	21,477
Jetta	0	0	0	69	5,553	4,450
Total Cars, U.S.	165,708	164,702	165,519	656,280	2,341,932	2,669,975
Total Cars, Canada	27,010	17,683	26,665	106,243	392,015	288,611
U.S., Canada Cars	192,718	182,385	192,184	764,522	2,733,947	2,958,586
U.S., Canada Cars and Trucks	299,422	279,718	300,609	1,204,834	4,483,825	4,516,308

CANADIAN CAR	Week Ended April 30, 1988	Week Ended May 2, 1987	Week Ended April 23, 1988	April Est.	Jan. 1 to April 30, 1988	Jan. 1 to May 2, 1987
Eagle	0	—	0	0	0	—
Premier	1,650	—	1,656	6,906	24,187	—
CHRYSLER MOTORS	1,650	68	1,656	6,906	24,187	2,299
Escort	0	—	0	0	0	—
Lynx	0	—	0	0	0	—
Tempo	4,292	—	4,007	17,677	70,520	—
Topaz	1,348	—	1,685	5,972	23,827	—
Crown Victoria	2,851	—	2,836	11,833	47,681	—
Grand Marquis	2,909	—	2,959	12,050	47,105	—
FORD MOTOR CO.	11,400	11,565	11,487	47,532	188,933	182,191
Celebrity	339	—	311	1,393	6,012	—
Cutlass Ciera	7,176	—	7,076	27,880	86,749	—
Cutlass Supreme	0	—	0	0	0	—
Grand Prix	0	—	0	0	0	—
Pontiac 6000	1,445	—	1,424	5,289	17,017	—
Regal	4,000	—	3,718	15,503	55,966	—
GENERAL MOTORS	12,960	5,545	12,529	50,079	165,744	97,705
HONDA	825	270	873	3,104	11,020	2,861
VOLVO	175	225	120	622	2,131	3,555
Total Cars, Canada	27,010	17,683	26,665	106,243	392,015	288,611

U.S. TRUCK☆	Week Ended April 30, 1988	Week Ended May 2, 1987	Week Ended April 23, 1988	April Est.	Jan. 1 to April 30, 1988	Jan. 1 to May 2, 1987
Cara-van	2,300	—	1,907	8,679	34,110	—
Dakota	2,600	—	2,884	11,223	41,544	—
Mini-Ram Van	300	—	301	1,405	5,311	—
Pickups	1,300	—	1,389	5,390	20,370	—
Total Dodge	6,700	4,825	6,481	26,698	101,335	82,860
Cherokee	3,100	—	3,206	13,748	59,161	—
Commanche	900	—	848	3,617	16,228	—
Grand Wagoneer	300	—	350	1,336	4,865	—
Pickups	0	—	0	5,200	5,200	—
Wagoneer	150	—	246	957	4,324	—
Total Jeep	4,450	4,429	4,650	25,058	89,776	74,599
Voyager	2,100	—	1,752	7,727	31,410	—
Total Plymouth	2,100	—	1,752	7,727	31,410	—
CHRYSLER MOTORS	13,250	9,254	12,883	59,484	222,521	157,459
Aerostar	4,500	—	4,542	17,605	75,937	—
Bronco	1,276	—	1,270	4,993	20,921	—
Bronco II	2,507	—	2,469	10,039	48,585	—
Econoline	5,155	—	4,789	20,041	84,361	—
Heavy trucks	1,485	—	1,677	5,894	22,898	—
Light trucks	10,440	—	11,702	43,725	173,636	—
Ranger	7,876	—	7,922	31,118	123,932	—
Total Ford Div.	33,219	31,403	34,371	133,405	550,870	518,240
FORD MOTOR CO.	33,219	31,403	34,371	133,405	550,870	518,240
Astro	3,877	—	3,220	14,789	59,212	—
Blazer	651	—	592	2,453	9,313	—
Mediums/Heavies	405	—	501	1,560	5,903	—
P-Model	860	—	773	3,316	13,277	—
Pickups	6,738	—	7,647	29,345	110,638	—
S-10	5,900	—	6,801	25,200	96,509	—
S-10 Blazer	3,675	—	3,709	14,868	53,651	—
Sportsvan/Van	1,999	—	1,909	7,772	26,966	—
Suburban	1,669	—	1,426	6,280	24,389	—
Total Chevrolet	25,744	23,707	26,580	105,564	399,558	382,575
Jimmy	163	—	113	649	2,945	—
Mediums/Heavies	845	—	783	3,452	15,128	—
P-Model	160	—	177	627	1,464	—
Pickups	2,059	—	2,500	8,802	35,570	—
S-15	1,285	—	1,319	5,139	23,078	—
S-15 Jimmy	978	—	932	3,805	13,758	—
Safari	955	—	306	3,719	15,274	—
Suburban	774	—	680	3,031	12,400	—
Vandura/Rally Vans	914	—	999	3,205	13,779	—
Total GMC	8,133	8,510	8,286	32,430	133,395	127,828
GENERAL MOTORS	33,877	32,217	34,866	137,994	532,953	510,401
NAVISTAR	1,910	1,883	1,927	7,695	29,714	25,739
NISSAN	1,570	1,820	1,646	6,792	41,870	28,413
AM GENERAL*	450	450	450	1,800	7,560	2,400
MISCELLANEOUS*	2,300	2,300	2,300	9,860	36,840	36,800
Total Trucks, U.S.	86,676	79,107	88,425	356,921	1,424,128	1,279,452

CANADIAN TRUCK	Week Ended April 30, 1988	Week Ended May 2, 1987	Week Ended April 23, 1988	April Est.	Jan. 1 to April 30, 1988	Jan. 1 to May 2, 1987
Caravan	3,071	—	3,099	12,603	51,095	—
Mini-Ram Van	322	—	350	1,393	4,787	—
Ram Wagon	576	—	573	2,396	8,253	—
Ram Van	1,472	—	1,518	6,020	20,756	—
Total Dodge	5,443	6,504	5,540	22,402	84,893	142,234
Voyager	2,751	—	2,829	11,479	47,234	—
Total Plymouth	2,751	—	2,829	11,479	47,234	—
Wrangler	1,015	—	1,070	4,383	17,333	—
Total Jeep	1,018	775	1,070	4,383	17,333	10,733
CHRYSLER MOTORS	9,212	9,279	9,439	38,264	149,460	152,967
FORD MTR. (t. trks.)	3,648	3,563	3,644	15,177	60,661	53,516
Light trucks	3,508	—	3,243	14,312	53,422	—
Vans	1,513	—	1,579	5,788	20,858	—
Total Chevrolet	5,021	—	4,822	20,100	74,280	—
Light trucks	1,292	—	1,545	5,825	26,047	—
Vans	632	—	525	2,893	11,627	—
Total GMC	1,924	—	2,070	8,719	37,674	—
GENERAL MOTORS	6,945	5,130	6,892	28,819	111,954	67,566
NAVISTAR	225	204	222	931	3,675	3,217
Total Trks., Canada	20,030	18,226	20,197	83,191	325,750	277,268
U.S., Canada Trks.	106,706	97,333	108,622	440,112	1,749,878	1,556,720

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Automotive News

May 9, 1988

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Iacocca returns as saviour

Host of problems needed his touch

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

HIGHLAND PARK, Mich. — Lee A. Iacocca, the hero who saved Chrysler Corp. from itself once, is trying to do it again.

After months of distraction, Iacocca is back at the helm — in part to steady a foundering ship — and with him comes a new car-dominated vigor that got sidetracked in the fast-paced days of 1987.

And in just 120 days, the legend in his own lifetime has recharted the New Chrysler Corp. from a financially driven company faltering in the car market and favoring trucks and airplanes to a New New Chrysler Corp. — an automotive, technology, manufacturing force willing to fight and sacrifice to win an even bigger U.S. market share.

The contrasts are startling.

What was going on at Chrysler toward the end of last year was the stuff of which novels are written. There were tales of infighting among top executives and a host of squabbles over turf and priorities.

The one thing most agreed on was that their leader, Lee Iacocca — the man who rebuilt Chrysler and became an international hero in the process — was away too much.

Preoccupied with the acquisition of American Motors, a divorce and heavy travel, Iacocca had stepped

see CHRYSLER, page 52

AUTOMOTIVE NEWS/JOE WILKENS

Smiles for a new pact
UAW President Owen Bieber, right, Vice President Marc Stepp and members of the union's bargaining team announce a tentative agreement at Chrysler Motors. The pact was reached after bumpy negotiations in which the UAW painted a dismal picture of labor relations at Chrysler. Workers will vote on the contract this week. **Story on Page 6.**

FORD HIRES: *New workers added, 1st time in a decade*

By Louise Kertesz
AUTOMOTIVE NEWS STAFF REPORTER

In what is believed to be the first "off the street" hiring by the Big 3 in more than a decade, Ford Motor Co. is taking on new workers at its Twin Cities truck plant in St. Paul, Minn., and at several other locations.

And for this first infusion of fresh blood in years, Ford is being almost as choosy as the Japanese transplant automakers.

Since the recession, when thousands of laid-off autoworkers swelled preferential recall lists, the Big 3 have not been able to hire new workers. But those lists are thinning out at Ford, which has only about 2,000 workers on indefinite layoff. General Motors, by contrast, has about 60,000 idled workers.

Though a Ford spokesman said the new hiring at several plants does not mean "an increase in production or an expansion," it is another sign of how far Ford has come since it laid off 100,000 workers in the early 1980s.

And it represents "a totally new way of hiring," said William Novotny, time standards representative at UAW Local 879 at the Twin Cities plant.

Novotny said that about 50 workers will be chosen from a list of about 2,000 recent applicants at Twin Cities, and that the hiring process takes about a month.

Before the example of the transplant automakers — who screen extensively from lists of up to 100,000 applicants to select 2,000 workers — American automakers typically hired on a Friday and put a new worker on the line the next Monday.

see FORD, page 53

Stempel says product blitz on tap for GM

By Kathleen Hamilton
AUTOMOTIVE NEWS STAFF REPORTER

The devalued dollar has killed General Motors' plan to export its large European Opels to the United States, and emissions and fuel-economy rules have shelved the V-12 project, but President Robert Stempel sees a GM with "more new cars, more new trucks, more new powertrains than in 80 years."

The demise of the Fiero should not be taken as an indication that the auto giant is unable to meet today's consumer-driven trend to niche vehicles. To the contrary, Stempel pointed to GM's commitment to niche markets in trucks and with the Buick Reatta.

He affirmed that GM will be able to profitably produce more such vehicles. And he forecast that GM will soon be able to bring its product cycles down to three years — besting today's leader, Honda, with its current four-year cycle.

Both niche marketing and the shortened product lives are proof that GM is becoming a customer-driven company, Stempel emphasized in a wide-ranging interview.

He disagreed with the widely published interpretation of GM statements on its market-share goals, made recently in a closed-door session with Wall Street analysts, and he stressed that GM is aggressively pursuing increased market share.

The production startup curves of the new mid-sized coupes and the second shift being added for full-sized pickups in Pontiac, Mich., give the company hope that it will indeed increase its slice of the pie, he said. But he declined to forecast whether the company's penetration will increase from its present 37 percent car share and 31 percent truck share, citing intense competition from a growing number of automakers.

Stempel also said the company's white-collar layoffs are just about complete, although cost-cutting continues to be the company's top priority.

GM is striving to once again become the country's lowest-cost auto producer despite cost penalties it is willing to accept to produce the cleanest engines, he

see STEMPEL, page 51

GM10 sales mixed

Buick, Pontiac top '87; Olds off

By Dutch Mandel
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — It has been a little more than six months since the first of General Motors' GM10 intermediates hit the street, enough time to gauge their market strengths and weaknesses. To hear GM and most of its dealers tell the story, the launch has been a success of the first order.

But even as the corporate flag waves high, a gentle wind suggests all may not be as it seems.

Right now, union leaders, plant officials and GM employees are holding talks in Pontiac's Grand Prix-dedicated Fairfax assembly plant in Kansas City, Kan. Those talks focus on some layoffs the company is expected to make once the line rate of 800 cars a day is met, later this month. The plant currently is producing 700 cars per day.

In addition to the possibility of layoffs, GM last week recalled 25,900 Buick Regal and Pontiac Grand Prix models for safety-related items.

The sales numbers have been mixed for the GM10s — Pontiac's Grand Prix, Buick's Regal and Oldsmobile's Cutlass Supreme — since their introduction.

Buick was first with its Regal GM10 derivative. The car went on sale last October. For the calendar year through April 30,

see GM10, page 4

AUTOMOTIVE NEWS/JOE WILKENS

GM intends to capture a bigger market share with its GM10 fleet

'Executive car' tag on rentals attacked

By Charles M. Thomas
AUTOMOTIVE NEWS STAFF REPORTER

You can call them "brass hat," "factory official," or "executive vehicles," but if they really come from daily rental fleets you're likely to get in trouble — especially in Ohio, Arkansas and Arizona.

Dealers who advertise manufacturer program vehicles as "factory official" cars or represent them to customers as "executive vehicles" rather than daily rentals are coming under fire in those states — and probably more.

In the wake of the controversies, General Motors said it is studying ways to change the terms so the words "factory official" are removed from auction ads and brochures because it confuses dealers and customers.

"There have been some people who believe 'factory official auction' is the same as 'factory official car' so we will take steps to make sure the terminology is not used," a GM spokesman said.

GM says it realizes there is some confusion on the part of its dealers on the issue and will alert them to it.

"These vehicles (program cars) are clearly identified

see RENTALS, page 53

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Toyota gears up for big boost in U.S. fleet sales — Page 2
Smith clarifies analysts' meeting — Page 3
GM revamps incentives; some rebates dip — Page 4

Smith says GM won't settle for 37% of market

Quarrels with reports of analysts' session

DETROIT — In an unusual letter, Chairman Roger B. Smith has publicly revealed for the first time what General Motors executives told stock analysts at a closed-door New York meeting April 22.

While some analysts' accounts of the meeting said GM would modify its production capacity to reflect its present 37 percent U.S. market share even if it meant closing more plants, Smith said it was not true that GM was planning to settle for such a reduced share of the U.S. market.

In a letter responding to a May 2 Automotive News editorial, Smith said of the conclusion that GM had "resigned itself" to live with a market share in the high 30s that, "Nothing could be further from the truth."

Smith went on to describe what happened — from his perspective — at the meeting with analysts. Such clarifications are rare, especially from an executive at Smith's high level.

"What we said at the meeting and what the analysts understood and appreciated was our outlining our future plans in relation to the market and capacity," Smith wrote.

"We pointed out that with our major plant expenditures behind us (except for Saturn), we are now able to devote more resources to our products. Moreover, with the flexibility obtained from our new and modernized plants, together with forthcoming rationalization of product platforms, new engine and transmission programs and improvements in productivity, scheduling and buildable combinations, we would be able to achieve 100 percent capacity utilization at a lower passenger car market share.

"We did not at any time indicate that we were 'targeting' a lower market share and, in fact, indicated we could accomplish all of this while still retaining the ability to reach a 45 percent share if our new products coming on stream were as successful as we hoped they would be. To many of the analysts this was the best news to come out of the meeting.

"At the meeting, all of us enunciated that GM's principal challenge was to build increasing profitability in our North American automotive business while raising market share.

"In order to do that, we must be cost competitive in everything we do. Effective utilization of our new and modernized manufacturing and assembly capacity is an important part of being cost competitive."

HIDDEN IMAGE

1989 Pontiac spied

For 1989, the Pontiac 6000 LE gets a sleeker more aerodynamic look, reflecting a trend that sources say will be seen throughout the General Motors A-body intermediate line. The 6000 will have a more rounded rear window and roofline, although front and rear styling appears unchanged. GM's other intermediates, sources indicate, will receive greater sheet-metal changes than the Pontiac 6000, emphasizing the rounded look.

Chrysler's AMC unit to pay $11.5 million in Jeep rollover

By Arthur Flax
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Corp.'s American Motors Corp. subsidiary has agreed to pay $11.5 million to a Florida woman paralyzed in a Jeep rollover accident in 1984.

Although AMC no longer designs or manufactures cars, the company is still in existence as a Chrysler subsidiary and the rollover judgment was against AMC, a Chrysler spokesman said.

The driver of another vehicle involved in the accident agreed to pay the accident victim, Elizabeth Walker of Fort Pierce, Fla., $600,000, bringing the total settlement to $12.1 million.

The figure includes $2.6 million in interest and court costs accumulated since a $9.5 million jury award was made on April 1, 1986.

Last month, according to the Chrysler spokesman, the Fourth District Court of Appeals for Florida ruled that jurors were correct in awarding Walker compensatory damages, but $10 million in punitive damages should not have been awarded.

In the settlement, Chrysler agreed not to pursue an appeal of the compensatory damages and Walker agreed not to appeal for punitive damages, the Chrysler spokesman said.

The accident occurred on U.S. 1 in Fort Pierce when the 1978 Jeep CJ-5 in which Walker was a passenger rolled over after striking a vehicle that had turned in its path. Neither Walker nor the driver was wearing seat belts. Walker was left a quadriplegic.

The Chrysler spokesman said some of its settlement in the case would be paid by product liability insurance that AMC held at the time of the accident. Product liability insurance, however, is no longer available to auto manufacturers in significant amounts, the spokesman noted.

Chrysler's annual 10-K report filed in March with the U.S. Securities and Exchange Commission said damages specified in pending lawsuits on Jeep rollover accidents total a potential $385 million in compensatory damages and $703 million in punitive damages.

"These amounts are damages alleged by plaintiffs and do not necessarily represent a reasonable measure of AMC's exposure in such matters," Chrysler said in its report to the government.

The 10-K also noted that AMC has received a number of claims that have yet to result in lawsuits.

Financial reserves have been established, the company said, although reserves for extensive punitive damages have been deemed by the company to be unwarranted and have not been made.

New-type Hondas in works for U.S.

By Jesse Snyder
AUTOMOTIVE NEWS STAFF REPORTER

LOS ANGELES — Industry sources say Honda is preparing a spate of imaginative new vehicles for the U.S. market in the early 1990s, including a minicar, a minivan, a sports car and a Cadillac-sized performance-luxury sedan.

By the 1991 model year, there will be at least five Honda-branded lines and at least four Acura-branded upscale cars, according to automotive analysts who specialize in future products and other sources familiar with Honda.

But as early as the 1990 model year, there could be a U.S. version of the Concerto, Honda's Civic-sized, "YY" car that is being developed jointly by Honda and Britain's Rover Group for the Japanese and European markets this year, although that is the area of the greatest disagreement on Honda's intentions.

Honda doesn't discuss future products.

Some sources, including George Peterson, president of The AutoPacific Group, Newport Beach, Calif., believe Concerto is likely to be sold as an entry-level Acura.

However, Christopher Cedergren, senior automotive analyst for J.D. Power and Associates, Agoura Hills, Calif., thinks Honda will scrub the U.S. program.

And Honda is experimenting with a variety of unconventional truck-like personal-use vehicles beyond the Accord-based van, analysts said. Among them are several that borrow elements from off-road, large pickup, sports-utility and passenger van vehicles without fitting directly into any particular segment.

In the 1992-1994 model years, those programs could result in a "hybrid halfway between a (Chevrolet) El Camino and a large pickup" or other new niche, said Cedergren.

Here's Honda's future lineup as outside experts see it:

- City — A new generation of the Japanese-market City, about the size of the original Civic, likely powered by a 1.3-liter four-cylinder engine and weighing about 1,800 pounds. It is due in spring 1990 in Europe, 1991 or perhaps as late as the 1992 model year here. It is a prime candidate for production outside Japan, perhaps in Canada or an Asian country. The likely U.S. target volume is 100,000 to 150,000 annually.
- Civic — All new for 1988, no major change until 1991.
- Prelude — On the same schedule as Civic.
- Accord — A new generation of Honda's mainstay due in 1989 as a 1990 model will be 6-7 inches longer, wider and more powerful with an optional new 3-liter V-6 engine.
- Van — The new Accord platform and V-6 will be the basis for Honda's first van. Honda's goal is a sleek people mover that is more car-like than Plymouth Voyager/Dodge Caravan, the leaders in that segment. Cedergren lists it as a fall 1990 arrival.

Here's the forecast for the 1991 Acura product range, not including Concerto:

- Integra — All-new for spring 1989 as an early 1990 model, Integra will be more powerful with a 1.8-liter four-banger. Regardless of whether Acura has a new entry-level car, Integra will move up a notch in price class to help close the gap between it and Legend, with a likely base price of $13,000.
- Legend — The 1990 Legend will get a modest facelift. The sedan is likely to have a new floorpan to allow it to use a Legend coupe-like front and rear double-wishbone suspension.
- Big sedan — Due in fall 1989, the Acura flagship with a multi-valve V-8 engine to power the Cadillac DeVille-sized car could debut a few months later.
- Sports car — It currently has parallel engine programs, either a 24-valve V-6 or a 32-valve, 3.6-liter V-8. But most insiders are betting that by the 1991 model year, Honda will choose the V-8 for this model, viewed as a Mercedes SL-killer.

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Automotive News appoints DeLorenzo international chief

DETROIT — Matt DeLorenzo, a six-year Automotive News veteran and a specialist in the import sector of the industry, has been named international editor of the publication, effective today.

DeLorenzo, 34, will move to Detroit in his new position, after spending the last 18 months in the Automotive News Washington Bureau, where he reported on government-related aspects of the industry. Prior to that, DeLorenzo was based in Los Angeles for almost five years and mostly covered Asian automotive importers.

DeLorenzo succeeds Richard Feast, who moves from international editor of Automotive News to editor of AutoWeek, an Automotive News sister publication within Crain Communications Inc.

The international editor oversees staff reporters in Washington, Los Angeles, New York, Frankfurt and Tokyo as well as in a Nashville bureau that will be opened this summer.

DeLorenzo

"We are fortunate to have a first-rate professional like Matt DeLorenzo to follow in the traditions established by Richard Feast to make our national and international coverage even better," said Automotive News editor Andrew R. McGill. "Matt's import and Washington background and his keen knowledge and experience make him an ideal international editor."

Delorenzo joined Automotive News in 1982 after four years as executive editor of Automotive Fleet. He graduated from Bradley University in Peoria, Ill.

U.S. drains VW profit

Operations lost $316 million in 1987

Losses at Volkswagen AG's troubled operations in the United States climbed to $316 million last year, the biggest drain on the group's 1987 worldwide results.

The cost of closing the Westmoreland, Pa., assembly plant and Audi U.S. losses helped limit the West German group's growth in net earnings to 3 percent in a year when it finished first in European sales and saw results improve elsewhere.

However, VW Chairman Carl Hahn predicted that losses in the United States will be considerably lower in 1988.

Volkswagen AG's net profit rose to 598 million marks ($330 million) in 1987 from 580 million marks in 1986. But, VW said its U.S. losses were 572 million marks ($316 million), including a charge of 380 million marks ($210 million) for Westmoreland.

Volkswagen also said that it expects worldwide production to increase slightly in 1988 to 2.8 million units.

In 1986, Volkswagen AG earned 164 million marks in the United States.

Losses attributed last year to the closure of Westmoreland amount to about half the total charges for shutting down the plant. An equal amount will be borne in 1988 unless VW is able to sell the facility, which is scheduled to close in July.

VW did not break out Audi's results in the United States, but Audi Chairman Ferdinand Piech said recently that the 1987 loss was at least 200 million marks ($110 million).

Audi will detail its world results this week in Munich.

— Richard Johnson and David Versical

European sales top peak '87 rate

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — New-car sales in Western Europe ran nearly 10 percent ahead of their record 1987 pace during the first quarter of 1988.

Fiat Auto ranked No. 1 during the first three months with just under 16 percent of the European market, according to estimates compiled by Automotive News.

All of Europe's top 10 carmakers increased volume in the period, with France's Peugeot SA recording the sharpest gain.

Each of the five biggest national markets ran ahead of 1987. Spain's 20-month string of dizzying growth continued unabated. Even West Germany, Europe's largest market, was ahead of last year's record pace though it was generally expected to decline in 1988.

Japanese automakers kept up with overall European industry growth, while holding market share in check. Japanese makers claimed 10.6 percent of Western European sales in the first quarter, roughly where they have been for the past year.

Despite almost universal predictions of slower sales in Europe this year, industrywide volume rose 9.1 percent to 3,357,900 units through March. The uncertain impact of the Wall Street collapse last fall caused most companies and analysts to project at least a modest downturn from last year's 12.3 million sales.

"It's turning out to be much stronger than we thought," said Ford of Europe Chairman Alex Trotman. "We think it could be a 12 million industry again this year for cars. . . .We had planned on it being down 5 percent."

Trotman does not expect conditions to change soon. "It looks to us very bullish; at times, almost frighteningly so," he said. "We wonder how long this can go on. Frankly, I can't see any end to it."

Fiat Auto, including Alfa-Lancia, is benefiting from strong sales in its Italy as well as in other key national markets. Fiat clung to its nearly 60 percent share of the Italian market, which grew 13.4 percent in the first quarter. Group sales totaled 534,900 in the quarter, up 12.2 percent over last year. Fiat's Europe-leading market share in the first three months was 15.9 percent.

Alfa Romeo alone improved 16.8 percent in 1988 to 56,100 units. Its new 164 model is getting a strong reception in Italy, where 20,000 units are on order.

Volkswagen AG, Europe's sales leader for the past three years, improved 4.5 percent in the first quarter, the smallest gain among the six big manufacturers. Volume for the VW, Audi and Seat brands totaled 459,900, and market share was 13.7 percent.

The German market, where VW is No. 1, grew less sharply than the Italian market.

Peugeot SA, bulwarked by the Peugeot 405 that is being introduced across Europe, hiked sales 15.9 percent in the first quarter. It edged past Ford into third place last year and is now widening the gap. The French maker's share was 12.7 in the first quarter, compared with Ford's 11.4 percent.

Peugeot SA sales, including the Peugeot and Citroen divisions, totaled 427,100. Its first-quarter sales were up nearly 12 percent in France; 32 percent, United Kingdom; 26 percent, Italy; and almost 28 percent in Spain.

Hampered by a 12-day strike in the United Kingdom earlier this year, Ford saw its market-leading share in that country fall almost two percentage points — to just under 26 percent — compared with the first quarter of 1987.

However, Trotman said the company's recovery from the strike has been better than expected. Overall, Ford's first-quarter sales in Europe were estimated at 383,400, a gain of 7.3 percent.

General Motors ranked fifth through March with sales of 362,700 cars, an improvement of 6.7 percent and good for a 10.8 percent share. Renault was sixth with 352,300 units, a gain of 7.3 percent and a share of 10.5 percent.

Japanese makers combined for sales of 356,600 cars in the first quarter, an increase of 12.4 percent over the same period last year.

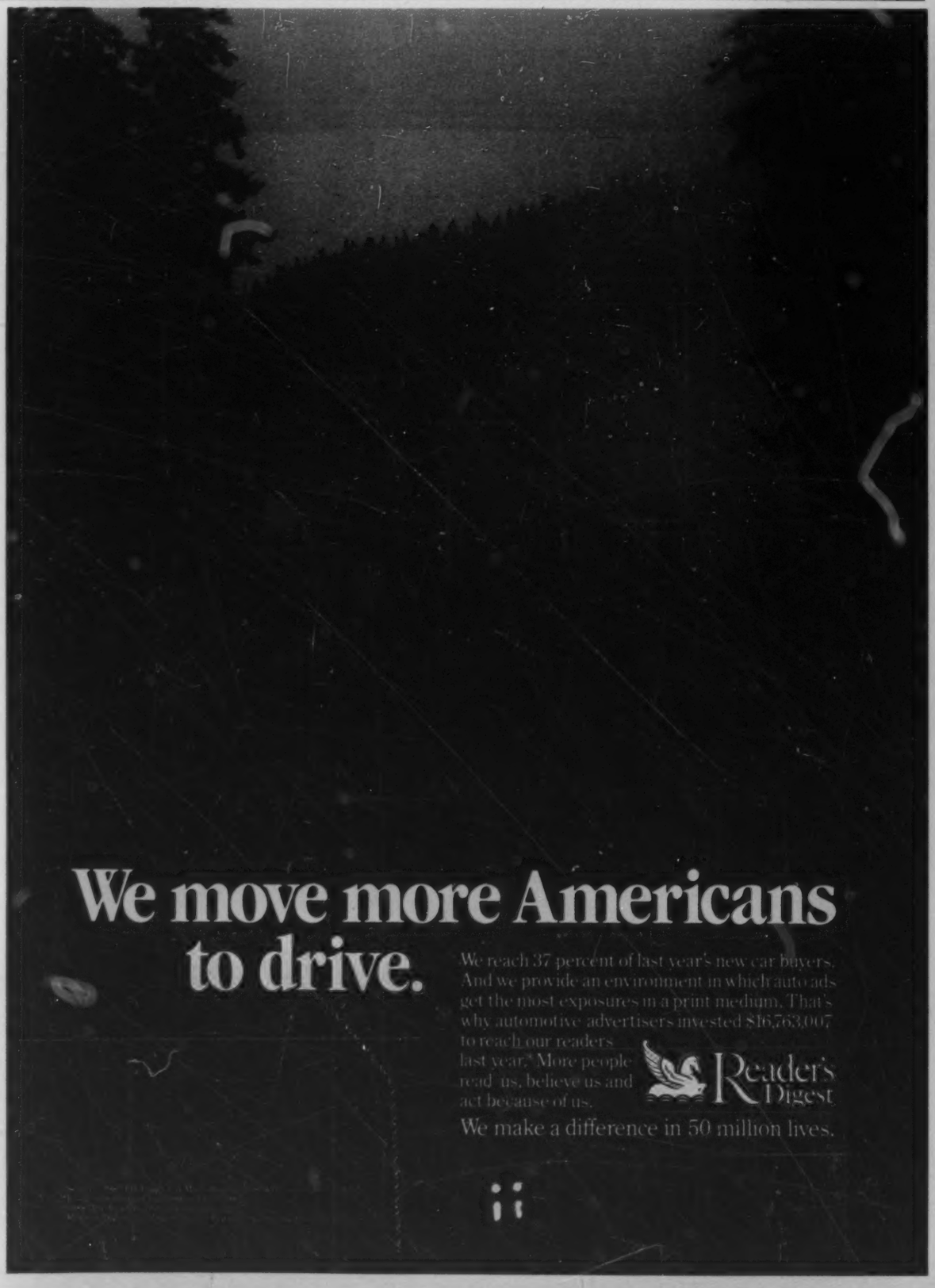
Nissan continued to lead Japanese makers in Europe with a share of 2.8 percent on sales of 93,000, a 19.7 percent gain in volume over the same quarter last year.

West Germany remained Europe's biggest car market, growing 2.9 percent to 647,000 in the quarter following last year's record 12-month sales of more than 2.9 million units.

Italy was second at 616,400, a 13.4 percent improvement, while the United Kingdom (584,800) and France (538,100) were up 10.9 and 8.6 percent, respectively. Spain may be in line for its first million-car year. Sales were estimated at 260,600 for the first quarter.

NEW-CAR SALES BY COUNTRY IN EUROPE

Country	3 mos. 1988	Percent gain/loss
West Germany	647,000	+ 2.9
Italy	616,400	+13.4
United Kingdom	584,800	+10.9
France	538,100	+ 8.6
Spain	260,600	+22.8
Netherlands	177,200	– 6.3
Belgium-Luxembourg	143,000	+15.9
Sweden	82,800	+23.3
Switzerland	77,600	+ 7.7
Austria	59,500	+ 1.7
Finland	48,000	+16.0
Portugal	41,400	+42.0
Denmark	28,900	–12.9
Norway	22,300	–26.6
Ireland	18,500	+ 5.9
Greece	13,800	+15.3
Total	3,357,900	+ 9.1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